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ABSTRACT

This manual on the collection of student loans is intended for the use of business officers and loan collection personnel of colleges and universities of all sizes. The introductory chapter is an overview of sound collection practices and procedures. It discusses the making of a loan, in-school servicing of the accounts, the exit interview, the billing process, interruption of the billing process, the collection process, litigation, uncollectible loans, and tracing students. Appended to this chapter are a sample statement of rights and responsibilities, a confidential information form, truth in lending form, list of codes, repayment chart, sample letter to be used at 90-120 days, request for hardship deferment and response letter, collection flow chart, loan collector's guide to special situations, letter of disbursement and receipts, legal forms, account tracing check sheet, and delinquency report. The four following chapters each discuss a major federal loan program: the National Defense/Direct Student Loans, Guaranteed Student Loans, Health Professions Student Loans, and Nursing Student Loans. Appended to each chapter are a similar array of forms and samples, appropriate to the specific program. (MSE)

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National Association of College and University Business Officers

Student Loan Collection Procedures

NACUBO
One Dupont Circle
Suite 510
Washington, D.C. 20036

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Preface

This manual was written for NACUBO by Warren McAlvey of Michigan State University and Linda Knowles of The University of Montevallo. It was prepared in response to a need for information on student loan collections identified by the Programs for Small Colleges Committee of NACUBO.

As originally conceived, this manual would have been of primary utility to business officers of smaller institutions. However, this concept was modified early in the project and, in its final form, this manual should be of some interest and usefulness to all college and university personnel responsible for student loans. Chapter one—"Overview of Sound Collection Practices and Procedures"—may be of particular interest to small college business officers and others in need of an overview of a sound collections system. Chapters two through five include detailed discussions of the four major federal loan programs for which student loans must be collected. These provide technical information for business and student assistance officers with direct responsibility for these complex federal programs. There is an intentional repetition of some of the material presented in the five chapters in order to allow readers to focus on one particular loan program if they so desire.

In chapter three, "Guaranteed Student Loans," information included is for the most part in accordance with rules (and proposed rules) set down by HEW's Office of Education. Readers may wish to become familiar with the requirements and practices of their state guarantee agencies.

This manual has been the subject of extensive review within the government agencies with jurisdiction for the loan programs covered. Of great assistance to the steering committee and authors were individuals from the following offices of the Department of Health, Education, and Welfare: Office of Education, Bureau of Student Financial Assistance, Division of Student Financial Aid; Office of Education, Bureau of Student Financial Assistance, Office of Guaranteed Student Loans; and Public Health Service, Health Resources Administration, Bureau of Health Manpower.

Readers are advised to consult with informed legal counsel regarding interpretations of specific federal requirements and the legality of certain institutional actions that may be taken. This manual is intended as a general guide to sound loan collection procedures; it is not a legal treatise, nor does it have the force of law; it is not intended as a replacement for federal regulations or statutes. Two particularly noteworthy areas of the law that may require legal opinions involve the impact on student loan collections of requirements imposed by the recently enacted Family Educational Rights and Privacy Act (P. L. 93–380, P. L. 93–568, with final regulations issued by HEW on June 17, 1976) and Equal Credit Opportunity Act (P. L. 93–495, P. L. 94–239, with final regulations issued by the Federal Reserve System on January 6, 1977). These two statutes and their implementing regulations are not covered in this manual, but may influence certain actions taken during the process of collecting student loans.

Serving as a steering committee for this project were five individuals representing the NACUBO Programs for Small Colleges, Minority Institutions, and Student-Related Programs Committees: John H. Clark (chairman) of California Institute of the Arts; Curtis Holt, Jr. of Benedict College; Thomas O. James of Chatham College; James Gordon of Colorado State University (also representing the National Association of Student Financial Aid Administrators); and Gerald M. Skogley of the University of North Dakota. Candace J. Little of Chatham College and Edward Carlino of Tufts University were instrumental in their service to the steering committee.

It should be emphasized that material included herein is current as of May 6, 1977 and that readers have the responsibility to monitor the *Federal Register* and other sources to make certain that changing federal requirements are updated in the margins. There are no present plans for issuing any supplements to this manual. The responsibility for staying current on student loan requirements therefore lies with the user.

May 6, 1977

Overview of Sound Collection Practices and Procedures

Introduction

Administration

A "loan," according to the dictionary definition, is something lent for the borrower's temporary use for a limited period of time. This manual deals with the practices and procedures used in granting or "making" loans and the methods which may be used in successfully encouraging those borrowers to return the loaned money.

Loans, which *must* be repaid, should not be confused with scholarships or grants, which do not require repayment. This fact *must* be understood by the borrower if collection work is to be successful.

Proper administration of loan funds depends on a smooth interrelation among all parties involved within the loan program. Loans applied for, when properly reviewed, approved, recorded, and maintained, are less likely to become "problem" collections in the future. On the other hand, loans made casually and administered carelessly are more likely to become collection problems and possibly result in the loss of funds to the institution. As a first step in guaranteeing a smooth progression of administration, it is essential that:

1. A clear-cut division of responsibilities be made between those institutional staff members responsible for granting loans and those responsible for disbursing and collection.
2. These functioning parties coordinate their efforts so that procedures are not lapsed.
3. All parties involved in administering the different phases of the loan program be familiar with the *entire* program.

If the institution is small, and if staffing requirements are such that a division among personnel is not possible, some internal controls for purposes of separateness of functions should still be established. Cooperation among other members of the institution's administration, such as the Registrar, Dean of Students, Bursar, Alumni Office, and Data Processing will prove helpful in the smooth functioning of the program.

In those institutions where Financial Aid Officers are not involved in collections (and it is recommended that their duties *not* include collections) they can still play a strong part in ensuring the collectibility of loans. This is true despite the clear requirement that many loans must be awarded purely on the basis of need. The Financial Aid Officer should follow a sound procedural outline which will provide adequate knowledge of individual circumstances which may be relevant in future dealings between the institution and the borrowers. Financial Aid Officers should then make borrowers aware of the conditions of their loans and the terms of repayment. Although this information must be included in the exit interview, it is unlikely that loan funds can be administered effectively if the borrower is not aware of the terms of the program prior to becoming obligated. *(Definition: An "exit interview" is a meeting at which information is exchanged between the borrower and the lending institution relative to the repayment of a loan.)*

As each institution becomes more familiar with each loan program, it would be advisable to develop a *Procedural Outline*. Such an outline should include the steps necessary to assure the fulfillment of the requirements of each loan program and should cover everything from the making of the loan through the retirement of the debt. The outline should include the following:

1. General institutional policies regarding the particular loan program.

2. Statements of divisions of responsibilities within the institution's management.

3. Policies and guidelines for the making and collection of loans.

4. A "calendar" for the procedures defined by the concept of "due diligence,"

   a. Exit interview
   b. Establishment of repayment schedule
   c. Issuance of statements of account
   d. Billings
   e. Follow-up correspondence
   f. Other

(Definition: "Due diligence" is the attention and care legally expected or required of a person, in the logical course of events, characterized by steady, earnest, and energetic application and effort.)

The use of such an outline would serve as a "standard operating procedure manual" on the basis of which it could be determined whether a student was, in fact, delinquent or merely past due. It would also be a guide to determine whether the institution itself had followed the steps necessary to effect an adequate loan-making and collection program. In this way, student delinquencies might be more readily avoided. Such an outline can also be utilized as a device for training new institutional staff in the operation and management of the program.

The Making of a Loan

Approval

The ease or difficulty of loan collection begins with the decision of whether or not to approve a given loan. This does not mean an institution has to perform a credit check on

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each loan applicant, but it does mean that information which is available must be considered. While it is not always possible to anticipate potential delinquencies, it is pointless to ignore information which may be helpful in detecting potential problems. The Guaranteed Student Loan Program requires institutions to use prudent lending judgment, while the National Direct Loan Program states that no loan may be made to any student who indicates an unwillingness to repay that loan. This is an indication that the institution does have the right to deny certain types of loans to those students who have *demonstrated* that they are poor credit risks.

Loan approvals are to be given only after careful consideration of the information contained in the student's application. The size of the loan should be such that it will meet the needs of the borrower (limited by maximums imposed by law) but not greater than is needed, because this will only burden the borrower with repayment beyond what would have been necessary. Loan approvals are a function of the Financial Aid Office and need the consultation of the Business Office only in regard to previous credit dealings between the institution and the borrower.

Pre-Loan Counseling

Borrowers must be made aware of all relevant terms of the loan program at the time they are expected to make the decision to accept or reject the offer of a loan. In addition to providing the borrower with information needed to make this decision, pre-loan counseling should provide the borrower with all of the rights, privileges, options, and obligations which will become a part of the loan. This can be taken care of easily by providing a "Statement of Rights and Responsibilities" to each borrower, to be signed by the borrower and the interviewer. This statement should cover the pertinent information for each loan program. Appendix 1 (page 21) is a sample which includes most of the information needed. If worded correctly, this statement could also suffice for the required Truth in Lending. *(Definition: "Truth in Lending" is the requirement of the Consumer Credit Protection Act, upon lenders, to make specific statements of disclosure regarding the finance charges on loans.)*

During the pre-loan counseling, it would be appropriate to have the borrower also complete a "Personal and Confidential Information Form." This form should request information which would enable the collector to locate borrowers who have moved without leaving forwarding addresses. By having this form completed each time a borrower obtains a new loan, the institution can be assured of having up-to-date skip-tracing information. *(Definition: "Skip-tracing" is the act of locating a borrower whose address has become unknown.)* If the institution waits until the exit interview to obtain this needed information, it will lack information on borrowers who drop out or fail to have the exit interview. In many cases, it is such borrowers on whom the information is most needed. Appendix 2 (page 22) is a sample of a Personal and Confidential Information Form.

Perhaps the most important factor in the institution's ability to collect loans is the borrower's understanding that the money which he or she is about to receive *is a loan which must be repaid.* No loan should be granted without this understanding by the borrower.

The Promissory Note

The promissory note is the *legal* document which binds the borrower to the repayment obligation, the terms of the federal statute which created the loan fund, and the regulations and policies which govern the loan program. *(Definition: The "promissory note" is the legal, written promise to pay, at a fixed or determinable future time, a sum of money to a specified institution.)* Therefore, each loan must be evidenced by a note which sets forth the legal conditions under which the loan is made. This note must be properly completed and should contain no errors. If an error is found, the correction should be initialed by the borrower as evidence that the borrower is aware that the note has been changed. This step may be extremely important if it becomes necessary to use legal action in collection. The note also must be adequately safeguarded by maintainance in locked, fireproof or fire resistant storage.

Each loan program will require a note containing terms suited to that particular fund. Therefore, it will not be possible to illustrate an acceptable note form in the appendices of this chapter. However, subsequent chapters contain sample notes based on the different loan programs.

In designing a note form, the ease of readability should be considered. The institution should also include all options available, even though it may not plan to enforce them. Including such options will allow the institution to legally enforce them if it so chooses, but an institution cannot force a borrower to abide by options that are not included in the note.

If the loan program calls for several advances over a period of time, the institution should decide on whether to use an "open-ended" or a "closed" or "limited" note. An open-ended note contains no fixed figure and may continue to be used by adding advances as long as the borrower remains eligible for funds. The closed or limited note contains a fixed figure which limits the note to no more than a certain dollar amount. For example, the note may be for $300.00 with three advances of $100.00 each. This closed or limited note would require a new note form for each approved application. The open-ended note is useful when the disbursing function is a part of the Financial Aid Office. (It should be noted that in no instance should the approving and disbursing functions be the responsibility of the same person.) However, consideration should be given to the closed or limited note if the disbursing function is not a part of the Financial Aid Office, for reasons of integrity of the fund. This would protect against advances being given without approval by the Financial Aid Officer.

Each note form should contain a place for the borrower's address or some form of identification other than merely the signature. The loan should also be authorized by an appropriate official in the Financial Aid Office. Where it is not practical for individual notes to be signed in the Financial Aid Office, other appropriate safeguards should be taken to ensure that the loan was approved properly.

Truth in Lending

The Truth in Lending provisions of the Consumer Credit Protection Act require institutions to make specific statements of disclosure regarding the finance charges on loans. Effective July 1, 1969, such disclosure must be made (and signed by the borrower) each time a loan commitment (not advance) is made and at the time a repayment schedule is executed. A copy of the disclosure must be provided to the borrower each time.

If in the opinion of legal counsel the Statement of Rights and Responsibilities will not suffice, then a style similar to Appendix 3 (page 23) should be considered for use at the time the loan is made. Appendix 4 (page 24) may be used when the repayment schedule is executed.

Disbursement

Disbursement has taken many forms over the years and varies greatly from institution to institution. Some institutions merely credit a borrower's account with the proceeds of the loan, while others issue cash, checks, or forms of scrip.

The recommended procedure is to issue a check which will require the endorsement of the borrower, rather than issuing cash or crediting a student's account. Such a procedure would eliminate any questions in the future should borrowers state that they never received the money.

It is also recommended that the check be made payable both to the student and to the institution. Loans are granted for educational costs. Therefore, the institution can require the borrower to use the money to pay for tuition, books, fees, room and board, etc., or the institution can refuse to cash the check and thereby negate the loan.

If the institution chooses some form of disbursement other than by check, it should be certain that a clear audit trail is left, including an acknowledgement of receipt from each borrower indicating the method by which payments were made.

In-School Servicing of the Accounts

Student Loan Journal

When a loan has been granted to a student, the institution must use some ledger or journal to keep a record of the loan balances. The information contained in the journal will vary with the institution's computer program. If posting is by means other than a computer, the amount of information contained might be minimal. However, the ease of completing reports is often in direct relation to the amount of information contained. Therefore, it is advisable to design a journal which will show the needed information, including the dates of the transactions. Summary totals should be kept at the end of the journal indicating the total amounts collected, cancelled and deferred on a monthly, year-to-date, and cumulative basis. A sample layout for a computer student loan journal is shown as Appendix 5 (see page 25).

Student Status Update

In addition to posting advances to a ledger account and keeping an accurate record of the total amount borrowed by each student, the institution must devise some means by which it can learn that the borrower is no longer enrolled. If the institution uses a computer system for its loans, a match can be made between the loan system and the Registrar's records. If there is a match, the borrower is still in school. If this is accomplished on a term or semester basis and there is not a match, then it can be assumed that the borrower left at the end of the preceding session. The account should immediately be placed on repayment status and repayment information should be sent to the borrower. By following this procedure, no account should enter a past due status without having had the benefit of the grace period notices as required by most of the loan programs. *(Definition: A "grace period" is a defined length of time, immediately following a borrower ceasing to be an eligible student, during which interest does not accrue and payments are not required.)*

If the institution is not on a computer system, some other system will have to be established to determine if borrowers are still in school. These hand-checked systems in many cases will be time consuming, but they are necessary. The following are a few suggestions for such systems:

1. Visually check against a copy of the fee run.
2. Check each account which does not receive an advance.
3. Provide a list of all borrowers shown to be in school to the Registrar's Office and request a verification.

Information Update

Most borrowers continue to receive loans as long as they remain in school. Each time they apply for a new loan, they should be required to complete a new Statement of Rights and Responsibilities (Appendix 1) and a new Personal and Confidential Information Form (Appendix 2). If this is accomplished, borrowers would be hard-pressed to state later that they were unaware of their rights and responsibilities; also, institutions will "lose" very few borrowers if this procedure is followed.

Loan Clarification

Most of the loan programs have required reports which ask the institution to "break down" accounts according to their status. The ability to know the status of an account at a glance will help the operation of the loan program greatly and is advisable even if not for reporting purposes. Some such systems use numerical codes while others use alphabetical codes; others use a combination of both. Each institution should use a system which best meets its particular needs. Appendix 6 (page 26) gives some examples; it is not all inclusive.

The Exit Interview

Purpose

The purpose of the exit interview is to again have an opportunity to discuss with the borrower his or her financial responsibilities and to obtain updated information which may help the institution in the collection of the loan. A borrower who is fully aware of his or her loan obligations and who knows what will be expected during repayment will, in most cases, be a borrower who causes few collection problems.

Responsibility

The exit interview should be conducted by the person at the institution who will be responsible for collection. This person must have full knowledge of the entire loan program, including the benefits to which the borrower is entitled. Ideally, no student with an outstanding loan should be allowed to leave school without having had the opportunity to have an exit interview. It is at this time when all questions which borrowers might have regarding their loans should be answered. At the end of the exit interview there should be no doubt in the borrower's mind as to what is expected. At the same time, the person conducting the interview should be able to get some feeling about the borrower's attitude toward his or her loan. This might present an opportunity to head off a possible delinquency.

Subject Matter to Cover

Each of the loan programs has certain unique terms and conditions regarding exit interviews. These differences should be reflected in the subject matter covered in the exit interview. However, the following items are basic and should be included in all interviews:

1. Make certain the borrower fully understands the terms and conditions, and the fact that the loan must be repaid on a timely basis as called for in the repayment schedule.

2. Arrange a repayment schedule (see Appendix 7, page 27) and agree upon the date of the first payment and the frequency of each payment thereafter.

3. Obtain clear agreement on the amount borrowed, the interest rate, and the amount due for each installment. The notes should be available for inspection by the borrower in order to answer any questions.

4. Have the borrower sign the repayment agreement and the Truth in Lending form and give the borrower a copy of each. (Appendix 4 could be used as both a repayment agreement and a Truth in Lending form.)

5. Review skip-tracing information, or at least make certain that someone other than the borrower is listed with an address and telephone number.

6. Direct the borrower's attention to the advantages of pre-payments during the grace period. (These are not, and may not be, required.)

7. Inform the borrower of the importance of paying promptly or contacting the institution prior to the due date if payment cannot be made for any reason.

8. Have the borrower understand that the collection staff must be informed of any change in name or address.

9. Cover the deferment, postponement and/or cancellation provisions and acquaint the borrower with the required forms, if applicable. *(Definitions: "Deferment" is the act of delaying payments for a specific reason and for a specified period of time. "Cancellation" is the elimination of a portion of the loan for certain specific reasons. "Postponement" is holding back the billing process until some time in the future.)*

10. Inform the borrower of the billing system to be used and assure him or her that statements will be sent or that coupon books will be provided.

Processing of Forms

Years of experience in loan collection have shown that most borrowers do not follow their repayment schedule as it was originally written. Many pay off their loans early; some get behind, causing more interest to be charged; a few become uncollectible. *(Definition: An "uncollectible" loan is an account which has remained past due without the borrower taking appropriate action to bring it current, for a certain period of time as established by the loan program, in spite of the fact that the institution has exercised due diligence.)* Therefore, an amortized schedule showing the principal and interest breakdown for each payment becomes obsolete rather rapidly for most loans. In addition, this kind of repayment schedule is difficult and time consuming to produce. A viable substitute is to use the Truth in Lending form (Appendix 4) which is already written in the form of a repayment schedule. (Paragraphs 1 and 3 of this form include the words "in accordance with this repayment schedule.") By using this form the terms of the Consumer Credit Protection Act and the repayment terms of most loan programs will be satisfied.

When the repayment schedule has been signed, the borrower should be given a copy along with any other printed material the institution feels might be helpful. The borrower's account should also be converted from an "in school" status to an "out of school" or "repayment" status. The original repayment schedule should be placed in the borrower's file along with the original promissory notes.

Enforcement

Every effort should be made to assure that each borrower is given an "in person" exit interview. This will not be possible unless the institution takes steps to remind the borrower that an exit interview is required. Various means have been used to remind students of the exit interview, including notices in the student newspaper, hand-outs when the last advance is given, post cards sent during the borrower's last term, and "holds" on graduation until the interview has been completed. Each such system has its merits and its pitfalls. Therefore, each institution should select the system best-suited to its particular manner of operation and make changes to the system as necessary.

It is possible to ascertain a borrower's expected separation date and to enter this date into the loan system. By doing so, and if the system is kept up-to-date, lists can be produced in sufficient time to contact each borrower regarding an exit interview. Registrar's offices usually produce graduation lists which can also be used.

The most serious problem regarding enforcement relates to "drop-outs" or students who do not return to school. Drop-outs usually clear through a withdrawal office and can be routed through the office handling exit interviews. However, if a borrower leaves school without an exit interview, he or she should not be forced to return to the institution for the interview; instead, the exit interview should be conducted by mail. In such a case, all information which would normally be given at an "in person" interview should be provided in the mail interview. Copies of the notes should be included with two copies of the repayment schedule. One copy should be signed and returned for placement in the borrower's file.

If the borrower fails to respond, the account should be placed on an equal payment basis and statements should be sent at the regular time. If the institution wishes, a "hold" can be put on all student records until the borrower signs and returns the repayment selection, but institutional legal counsel should be consulted prior to such an action.

The Billing Process

In-House vs. Outside Agency

The billing process is the point in the collection procedure where the greatest volume of work occurs. It is for this reason that many otherwise good systems break down and delinquencies occur. A loan program which does not include a regular and systematic billing system cannot hope to attract the borrower's attention to schedules, due dates, or threats of resort to more forceful collection activities. If for no other reason than its consistency, a systematic billing system is essential to the elimination of collection problems.

Institutions which have automated billing and data processing equipment may wish to undertake their own billing system. Present-day accounting machines and other processing devices provide the flexibility not only to maintain accounts, but also to make account adjustments such as revised repayment schedules and interest charge changes. If the institution's collection staff remains fairly stable (not subject to rapid turnover), and if the institution is willing to continue to provide adequate staff, it may be advantageous to do the billing and collection work in-house. In many cases, the borrower will have a closer working relationship with the institution that provided the loan than with an outside billing service. The key in deciding whether or not the institution should do its own billing lies in the institution's internal system and personnel assigned solely to the billing and collection of loans. It must be able to provide for the systematic billing required by the terms of the specific loan program.

At institutions where inadequate staffing and lack of automated systems make effective billing difficult or impractical, it may be wise to obtain the services of a commercial billing service as a means of improving and regularizing collections. The names of these services are available from regional offices of USOE, but no specific services are recommended or endorsed by USOE. This will eliminate the need for the institution to staff a collection section and will usually provide for a better and more consistent system of follow-up. In choosing a billing service consideration must be given to such things as service, cost, reports provided, and promptness of returning to the institution the money collected from the borrower. A good billing service should be able to provide its services and remain within the 4 percent administrative allowance (a rule of thumb) if the accounts are billed on a quarterly basis.

Billing services act as "agents" of the institution since the institution cannot abdicate its responsibilities to the loan funds. The institution must retain all pertinent documents for audit purposes, whether or not an outside billing service is used.

An essential element in a proper billing system is familiarity with all provisions of the program. A responsible billing service must therefore know the terms and conditions of each loan program. This is important so that accounts will not be erroneously identified as past due when they are still in grace status, notice of payments due will be timely, and delinquencies will be more readily identified.

IN-HOUSE	BILLING SERVICE
Advantages	
Familiarity with borrower	Knowledge of loan program
Ease of adjusting accounts	Computer priority to loan billing
Accessibility to student records	Size of loan program no object
No need to relay information to third party	Cost in direct relation to number of accounts
Possible cost savings if equipment and staff are available	Service absorbs cost of program changes
Ability to match with Registrar's records for student status	Billing likely to be more consistent
Disadvantages	
Cost of programming	Lack of access to borrower's records
Billing may not have computer priority	Dependence on information being relayed from institution
Staff turnover requires constant training	Institution must make decision in some situations
Cost for small institutions	Cost for large institutions

To help an institution decide whether or not to use a billing service, the accompanying advantages and disadvantages should be considered.

Finally, the November 24, 1976 regulations for the National Defense/Direct Student Loan Program include the following three statements regarding the use of billing services; these should apply to all loans:

1. If an institution utilizes a billing service in carrying out its functions, the function of such service must be limited solely to the performance of ministerial acts. The ultimate responsibility of the institution to make determinations relative to the making and collection of loans and decisions relative to cancellation and deferment of loans cannot be delegated.

2. If a billing service is used, it may not deduct its fee from the funds it receives from the borrowers.

3. If an institution uses a commercial billing service, it may not utilize a collection agency which owns or controls, or is owned or controlled by, the billing service or which is owned and controlled by a corporation, partnership, association or individual which also owns or controls the billing service.

Grace Period Notice

The interval between termination of student status and the commencement of the repayment period is termed the "period of grace." During this grace period, repayments need not be made and interest shall not accrue. The typical grace period ranges from nine to twelve months; these are to be *consecutive* months, not to be interrupted by periods of additional student status.

During the grace period the institution should make contact with borrowers to remind them of their obligations and of the pending repayment period. This reminder will provide the institution with an opportunity to make sure that the address is correct before payments are due. It will also let the borrowers know they are not being forgotten and that the institution is administering the loans in a business-like manner.

It is advisable to contact each borrower at least three times during this period of grace. The first contact should be made after approximately 90 days from the beginning of the grace period. In this contact, borrowers should be reminded of their rights and obligations, including:

1. The fact that they have received a loan which must be repaid on a timely basis as called for in their repayment schedule;

2. Their responsibility to inform the institution immediately of any changes of name and address;

3. The full amount of their loan including the interest rate;

4. The date and amount when the first payment becomes due;

5. Their responsibility to contact the institution prior to the due date of any installment if payment cannot be made for any reason;

6. Their rights to deferment, postponement, and/or cancellation, as well as their respon-

sibility to submit timely certification of such rights, if applicable;

7. Their right to accelerate loan repayments without penalty; and

8. Any optional features which the institution has inserted in its note, including the minimum monthly repayment provision, total costs of collection chargeable to the borrower, and penalty charges.

The second contact should be made at approximately 180 days from the beginning of the grace period to remind the borrower of the date the grace period will expire. This again presents an excellent opportunity to suggest interest-free payments.

The third contact should be made about 30 days before the due date of the first payment to notify the borrower of the date the first payment is due and the amount of principal and interest due at that time. This contact could be in the form of, and take the place of, the first statement.

If the institution finds that a borrower's address has changed, it should immediately implement procedures to locate the new address. Normally, this can be accomplished by information contained on the Personal and Confidential Information Form (Appendix 2). If a new address cannot be located from information at the institution, a commercial skip-tracing service should be contacted.

When to Bill

Most loan programs give institutions options as to the frequency of billings. Even though cash inflow will be increased by a monthly repayment plan, the institution may not be adequately equipped and staffed to operate on such a high frequency billing cycle. Some institutions, by choosing this billing option, are not able to adjust the mailing of notices, bills and payment schedule revisions on a timely basis to insure that borrowers are billed before their payments are due. In these cases, consideration of a lower frequency billing cycle is necessary. In any event, the frequency of the billing should not exceed the institution's administrative capabilities.

First Statement

Prompt billing in a consistent manner, and on a statement form which provides sufficient information for borrowers to fully understand the status of their account, is probably the single most important factor in keeping accounts current. For the first payment, the institution should have provided the borrower with a notice approximately 30 days before the payment was due. Subsequent payments need notices at least 10 days before the due dates.

The statement form should provide enough information to give the borrowers a full accounting of the status of their account. It should also be designed as a two-part statement to allow the borrower to keep the information portion and return the other half with the payment. If designed correctly, a window envelope may be used in sending the statement and a return window envelope may be used to assure the return of the institution's portion of the statement. This is important as a means of making certain that the payment is credited to the right account.

Appendix 8 (page 28) is an example of a computerized statement which contains all pertinent information. If the institution is using a manual system, it would not be expected to provide such comprehensive information. However, continuous form statements can be purchased which include a return envelope in the set. In designing a statement form, it should be remembered that with greater information provided there is less chance that the borrower will have to write with questions. Although contact is important, at this point the institution should be looking for payments and not questions.

Follow-Up

If payment is not made on time, the institution must follow-up on the account in an attempt to get the borrower to pay. It is becoming a requirement of most loan programs that the first follow-up occur when the payment is 15 days past due. This may be accomplished by the use of the telephone or by written demand.

It should be kept in mind that a revision of the repayment schedule is sometimes a way of successfully effecting collections. A borrower may be encountering temporary financial difficulties which may be offset by decreasing current payments which can be increased at a later date in accordance with the borrower's financial ability. When this occurs, the borrower remains responsible for accrued interest.

Once an account becomes past due, the institution should consider withholding all further services (transcripts, letters of recommendation, alumni materials, publications, placement information, etc.) until the account has been brought current or until satisfactory arrangements have been agreed upon. However, institutions may wish to release transcripts to a prospective employer, since without a job it may be difficult for a borrower to bring the account current. It is advisable that institutional legal counsel be consulted prior to taking such actions.

45 to 60 Days Past Due

Each loan program will specify due diligence requirements as to the interval between past due billings. When a 15-day past due contact is required, the next notice would normally be sent out between 45 and 60 days. This notice could be in the form of a past due statement with a message, or it could be in the form of a letter. Appendix 9 (page 29) contains samples of messages which could be used on statements. Regardless of the means of contact, the borrower must be made aware that the school plans to pursue collection in a thorough and business-like manner.

75 to 90 Days Past Due

Between 75 and 90 days past due, the final notice should be sent. If there is an endorser, the endorser should also be made aware that the account is past due. This final statement or letter must be stronger than the previous notices and may indicate the action which will be taken if there is no response. Statements, without other action, may be ineffective from this point on. However, the institution may wish to combine the sending of statements with telephone calls, letters, or other action to assure that the borrower receives something each month.

90 to 120 Days Past Due

By 90 to 120 days, it should be obvious that the borrower is not going to respond to a statement. Therefore, the institution should decide on its next course of action and inform the borrower by letter of the consequences of not paying. The borrower should be given sufficient time to respond to this letter, but usually not longer than 15 days. It is advisable to have this letter registered with a return receipt requested. The fact that the loan will be referred to a collection agency, an attorney, or the institution's collection staff, will in many cases prompt the borrower to respond. Once the institution has informed the borrower of the action which will be taken, it should not hesitate to take the necessary steps. Failure to take action will help neither the borrower, the institution, nor the loan program. Appendix 10 (page 30) includes a sample letter which may be used.

In-House Follow-Up When Outside Billing Service is Used

Billing agencies differ in their service to institutions beyond the normal three-past-due-statement approach. Some merely continue to bill each month, while others end the billing except when another payment is due. Most provide a list of delinquent accounts at a certain period of time, usually when the account has reached the 120-day past due stage. It is up to the institution to decide on a course of action to be taken from that point on.

An institution should carefully review the accounts listed to decide on the action to be taken. Some borrowers will be making partial payments, but not of sufficient amounts to keep their loans current. These borrowers may need an adjustment in their repayment schedule to an amount which they can pay on a current basis. Others will write in response to the 120-day letter which should be sent by the institution. Each borrower who responds will have to be treated on an individual basis depending on his or her reason for non-payment. Others will continue on a non-paying, no response basis, and will have to be dealt with in a stronger method. These methods will be discussed later in this chapter.

All payments received by the institution must be reported to the billing service in order to update the account. When the account becomes current, the billing procedure is again in place and hopefully the borrower will remain current.

Interruption of the Billing Process

Causes

The federal loan programs provide for cancellation, postponement, or deferment of payments for a number of reasons. Included in these are teaching, practicing in shortage areas, death, disability, bankruptcy, additional student status, military, Peace Corps, VISTA, advanced professional training, unemployment, good cause, and forbearance. It is important to be familiar with each possibility of cancellation, postponement, or deferment, since these are legal means of keeping an account current. Each cause must be documented by the borrower, certified by an official at the borrower's place of status, and forwarded to the lending institution for approval. The fact that a borrower's account can be kept current during these periods of low income makes these possibilities an important part of the loan programs. *(Definitions: "Good cause" is a type of deferment given for justifiable reasons other than those specified in the loan programs. "Forbearance" means refraining from enforcing the collection of loans which are due by revising the terms of the repayment.)*

Cancellation

Cancellation may be granted according to certain provisions contained in the specific loan programs. These provisions will be discussed in detail in the chapters that follow.

In general, portions of the loan will be cancelled if the borrower works for specified periods of time in certain types of work. These cancellations range from 10 percent per year up to 100 percent in certain circumstances. Although payments continue to come due, the payments are, in effect, cancelled for the periods of time in which the borrower qualifies for cancellation. This is so even when the amount cancelled is not equal to the amount due, as in the case of minimum loan payments.

Listed in the accompanying chart are the cancellation stipulations for each program.

Deferment

Deferments are granted for specified periods of time while borrowers are again enrolled in school, are in military service, the Peace Corps, VISTA, advanced professional training, and, in certain instances, are unemployed. The various federal statutes governing the loan programs state that payments will not be due and interest shall not accrue during these periods of time. The borrower is responsible for initiating the request for deferment, which must be certified by an official at the place which may be making the borrower eligible for the deferment. The form is then returned to the lending insti-

PROGRAM	REASON	YEARLY PERCENTAGE THAT MAY BE CANCELLED	TOTAL PERCENTAGE THAT MAY BE CANCELLED
National Defense	Teaching	10	50
	Low-Income Teaching	15	100
	Handicapped Teaching	15	100
	Death, Disability, Bankruptcy	—	100
	Military	12½	50
National Direct	Low-Income and Handicapped Teaching (percentages for year one through year five)	15, 15, 20, 20, 30	100
	Head Start Staff	15	100
	Death, Disability, Bankruptcy	—	100
	Military	12½	50
Guaranteed	Death, Disability, Bankruptcy	—	100
Health Professions	Practice in Shortage Areas	10	50
	Practice in Rural Shortage Areas	15	100
	Death, Disability, Bankruptcy	—	100
Nursing (before 11/17/71)	Employed in Non-Profit Agency	10	50
	Practice in Shortage Area	15	100
	Death, Disability, Bankruptcy	—	100
Nursing (after 11/17/71)	Employed in Non-Profit Agency (percentages for year one through year five)	15, 15, 15, 20, 20	85
	Death, Disability, Bankruptcy	—	100

tution for approval. Since deferments are a legal means of keeping an account current, institutions should urge eligible borrowers to submit the forms at the proper times. Forms should be submitted when the first payment is due following the borrower's entrance into such status, immediately upon any change in status, and at least annually as long as the borrower remains in an eligible deferment status.

Each federal loan program has its own rules and types of deferments. The four chapters that follow contain specific program details on deferments.

Postponement

A borrower who is in a status which will qualify for cancellation or deferment, but who would normally be required under the terms of the note to complete payments before the end of the eligible year, may request that payments be postponed. This request by the borrower would allow the institution to *accumulate* the payments until the end of the eligible period of time. The borrower would then be required to submit a cancellation or deferment form. If qualified for cancellation or deferment, the payments would then be postponed and the borrower's account would remain current. If, at the end of the postponement period, the borrower does not qualify for cancellation or deferment, the payments which had been postponed would be due. (EXAMPLE: A borrower who begins teaching in September and who would normally have payments of $45.00 due each September, December, March, and June, could have the payments postponed until the end of the teaching year in June. In June the borrower would be billed for $180.00 to cover the four postponed payments. If the borrower did not complete the year of teaching and does not qualify for cancellation, the $180.00 is due as of June 1. It is recommended that the institution not consider the account past due unless, of course, the $180.00 is not paid by the end of June.)

Most of the loan programs refer to postponing only in the event the borrower will qualify for cancellation. However, postponements can be used equally as well for deferments. Rather than requiring a deferment form monthly, bimonthly, or quarterly, granting postponement to the end of a period of time (never longer than one year), becomes a timesaver to the institution and the borrower.

Good Cause

There are likely to be times when, due to extraordinary circumstances, a borrower is unable to comply with the terms of repayment as specified in the note. When this happens, the borrower may make application to the institution for a revision of the repayment of the loan (see Appendix 11, page 31). The application should be reviewed by the institution to determine the merits of the request. The institution may decide to grant a full deferment or a partial deferment by requiring smaller payments, or it may decide that a deferment is not warranted. The borrower should be notified of the institution's decision in response to the request (see Appendix 12, page 32).

It is advisable to not grant good cause deferments for periods of time longer than six months. If at the end of six months the borrower's condition is the same, he or she should submit a new request. If the deferment will extend the repayment beyond the maximum time allowed by the loan program, it would usually be necessary to notify someone such as the Commissioner of Education. Interest continues to accrue during periods of good cause deferments and must be paid by the borrower. Arrangements for the payment of interest should be made at the time the deferment is granted.

The Collections Process

In-House vs. Outside Collection Agency

When an account gets beyond the normal billing process, the institution must make a decision regarding a future course of action, usually from among three alternatives: pursue further collection by the institution, use a collection agency, or resort to litigation. Litigation is covered beginning on page 16. The remainder of this discussion concentrates on in-house versus outside collection agencies, the advantages or disadvantages of each, including some cost information.

The chart of advantages and disadvantages of in-house and outside collections (page 13) is not meant to be all-inclusive; it is a means of provoking thought so that each institution will be able to arrive at an independent decision.

From a cost standpoint, it would appear that using a collection agency is less expensive to

	IN-HOUSE	OUTSIDE AGENCY
Advantages	Familiarity with borrower	Third-party effect
	Knowledge of loan programs	Referral to borrower's locale
	Willingness to work with borrower	Cost contingent upon collection
	Size of debt no object	Ability to deal with hard core
		Affiliated agencies give broad coverage
		Know when legal action is advisable
		Attorneys available throughout world
		Know debtors' assets
Disadvantages	Inability to deal with hard-core	Sometimes unfamiliar with loan provisions
	Out of borrower's locale	Not always willing to work with borrower
	Lack of third-party effect	Some accounts too small
	Cost	Institution must learn agency operations
	Space required	Possible unethical or illegal practices
	Time consumed	
	Inability to know debtors' assets	

the institution. By using an agency the cost of space, equipment, salaries and fringe benefits for a collection staff is eliminated; also, long distance telephone calls may be held to a minimum. The Nursing, Health Professions, and National Defense/Direct loan programs allow the funds to be charged for the cost of using collection agencies, but only NDSL allows an institution that performs its own collection work to charge a portion of those costs to the fund. Even then, the recoverable costs are limited to those which would have been allowed if an agency had been used. This additional cost may be added to the borrower's obligations if it is provided for in the note and allowed by state law.

In addition, it is estimated that an experienced collector would cost an institution approximately $15,000 per year in salary and fringe benefits. Assuming that agencies are working on a fee of 33⅓ percent of collections, a single collector at an institution would have to collect $45,000 per year merely to recover the cost of salary and benefits. Also, assuming that 45 percent of the delinquent dollars can be collected (recovery which should be expected of an agency), a single collector at the institution would have to be working with $100,000 worth of delinquent accounts to cover salary and benefits alone. If the same $100,000 were given to an agency, it is likely that more than one collector would be working on the accounts.

In-House Collections

Success in bringing a delinquent borrower current is a rewarding experience. For those institutions that decide to do their own collection work, careful consideration must be given to the type of person hired as the collector. A collector should be someone who is very persistent, who can tolerate verbal abuse, who is not quick to anger, and who enjoys succeeding at a seemingly impossible task. The collector must be fully aware of all rights and obligations of borrowers under each type of loan program. Collectors should be compassionate, but should also be able to know when a debtor is attempting to play on their sympathies. Above all, a collector must remember that the success or failure of the job hinges on the ability to collect.

After sending the borrower the 120-day letter, the institution should wait no longer than another 30 days before taking further action. Using the same list used to send the 120-day letters, files should be pulled on those with no response and such accounts should be transferred to a "collections section." If the institution uses more than one collector, the accounts should be assigned to a specific collector to eliminate duplicate work.

At this point in the collection process, several letters or statements have already been sent to borrowers without success. Therefore, it would seem that further correspondence would not be productive and that other forms of collection would be needed. The telephone has proven to be one of the best collection tools and should be used at this juncture.

Before attempting to contact the borrower by telephone, the collector should obtain all available data on the debtor and make certain that the amount due is correct. Once contact has been made, the collector should make sure that the person at the other end of the line is the debtor and not someone else; the collector should then identify himself or herself and the institution.

The overall objective is to bring the account current, which could mean payment in full. Regardless, the debtor should be asked for the full amount due. If the debtor agrees, the collector should obtain the date the check will be received. This date should be entered on a debtor control document which should be filed in a manner that would assure its coming to the collector's attention one day after the check is due. If the check is received, the account can be returned to the billing section as a current loan. If the check is not received, the debtors should be called again for a new check date. This system should be followed until the money is received and the account is current. If the debtor needs to make partial payments, the dates of the payments should be established and the follow-up procedure maintained.

There will be times when the amount due is in dispute. The collector will have to attempt to resolve the dispute and determine the exact amount the debtor will pay. If the dispute is resolved, the date the check will arrive must be determined and follow-up maintained. It may be that the dispute cannot be resolved without further checking. The collector should still attempt to agree on a figure which is not in dispute and agree on a date when a check for the undisputed amount will be sent. The collector should then obtain data to resolve the remaining dispute and have a date agreed upon when the remaining amount will be sent. Should the debtor refuse to pay until the dispute is settled, the collector should immediately take steps to resolve the dispute.

If there were one statement to summarize sound collection procedures, it might be: "Use a good follow-up procedure to make sure that promises are kept." Failure to contact a borrower after a promise has been broken will usually lead to more broken promises.

As an aid in following the collection procedures, a Collection Flow Chart is included as Appendix 13 (see page 33). A telephone procedure has also been included as Appendix 14 (see page 34). This procedure may be reproduced on cardboard or made into a flip chart. The purpose is to allow the collector to answer quickly any responses given by debtors. It also provides a list of possible sources of funds for the repayment of loans.

Accurate records should be kept of all telephone calls, correspondence, and personal contacts made. If an account becomes uncollectible as determined by the criteria of the regulations, it will be necessary to show that due diligence has been performed before an account can be defaulted or written off to the government. The amount collected by the collection department must be documented in order to justify charges to the fund for the cost of collections. *(Definition: "Defaulting" is failing to fulfill a contract or agreement or to meet a financial obligation.)*

Outside Collection Agencies

A large percentage of institutions use outside collection agencies to perform their hard-core collection work. When money for hiring staff is limited, collection agencies provide the relief needed to assure institutions that due diligence requirements are being followed. Collection agencies work on a contingent basis; therefore, institutions are relieved from providing funds for payment. Most agencies deduct their commission from the money recovered from the debtor. Working on a contingent basis means that agencies earn a fee only when they succeed in collecting from debtors. Fees may vary from location to location, but if an institution is paying as much as 33⅓ percent it may wish to look at the market for an agency with comparable service and lower fees.

The collection business is highly competitive. Student loans have become a "sought after" business, not necessarily because institutions have failed to do a good job, but because promissory notes are so legally enforceable. With the signatures of the borrowers on the notes, and with a clear audit trail showing money disbursed, it becomes rather difficult for a borrower to deny having received the money. Due to this competitive nature of the collections business, it may be beneficial for an institution to require bids from several agencies before deciding which agencies to use.

To win an institution's business, most agencies will give up charging for those accounts which are brought current when the debtor submits a cancellation or deferment form. Many also agree to charge the same fee for accounts which have to be referred to an affiliated agency in the borrower's locale or require legal action.

It is recommended that institutions using collection agencies use at least two, if for no other reason than to be able to gauge the effectiveness of each. With only one agency employed, there is no competition and an institution is not able to determine if its accounts are 20 percent collectible or 40 percent collectible. Also, some agencies may have a tendency to work only the large accounts because for the same number of contacts their commission is greater. Some may never really follow-up beyond a couple of telephone calls, preferring instead to live on the commission from the easy accounts. By using more than one agency, an institution will keep all agencies alert and hopefully effective. Institutions should make it known to their agencies that they are using more than one for that very reason.

Many borrowers need to know that the institution really "means business" and that it is sincere in its attempts to collect. Many borrowers who have not responded in any form do so immediately when contacted by an agency. For those borrowers, the institution would be wasting the fund if the full outstanding loan balance were referred for collection. Therefore, institutions should decide on a cutoff point to determine whether the total loan or only the amount past due is to be referred for collection. Some institutions use a balance of $300.00 while others use a balance of $500.00 to determine this cutoff point. Loans with balances larger than the cutoff amount chosen by the institution would have only the past due amount referred to a collection agency. Those with smaller balances would have the total outstanding amount sent for collection. Many times borrowers will honor their obligation when the institution resumes billing because they do not want to be referred to another agency. If it becomes necessary to refer an account for a second time, the institution may wish to refer the remaining outstanding amount and disregard its cutoff figure.

Once an account has been turned over to an agency, the institution should refrain from contacting the debtor and should not send any further statements. Therefore, accounts need to be coded in a manner that will keep statements from being produced in such cases. The code should be easy to recognize in the event the debtor contacts the institution instead of the agency. Once referred, all debtor contact should be through the agency.

The institution will need to keep accurate records of accounts referred to agencies and the amounts at each agency. If only a portion of an account is sent, it will be necessary to update the account each time another payment is due. If partial payments are received, the amount and the balance will also have to be reported to the agency.

The effectiveness of an agency may well be influenced by the preliminary work done by the institution and the information provided. If the notes were properly completed, a Personal and Confidential Information Form is provided, and the institution used a systematic follow-up, then the agency should have the information needed and the borrower should not be too surprised when contacted. It is helpful to the agency if the institution provides it with copies of notes, information sheets, and the last letters informing borrowers that accounts are being referred to an agency. If these three items are provided, the agency will be able to collect most accounts without having to ask the institution for more information.

At least monthly, the agency will provide the institution with a report of amounts collected from each borrower, along with a check for collections (minus its commission). The borrower's account should then be credited with the amounts paid. The agencies' fees will be charged to other collection costs and reported on the year-end Fiscal Operations Report.

Agencies should be required to furnish the institution with periodic reports on the status of accounts. These reports are necessary if the institution is to know why certain accounts are not being collected. There will be some accounts with "lost" borrowers whom the agency is trying to locate. Others will be borrowers which the agency feels will be collectible but are not at the present time. These are marked by the agency for action at a later date. Some will be considered by the agency as uncollectible and will be returned. It is advisable to refer returned accounts to another agency for an additional attempt at collection. Many times uncollectible accounts at one agency become collected accounts at another.

Institutions should continually review the cost and performance of agencies they are using. If collection percentages drop, if checks are not sent on time, or if accounts are held without action being taken, consideration should be given to dropping an agency and finding another. It should be remembered that the agency is working for the institution, and not vice-versa. The agency should also be required to provide an independent audit report annually.

Litigation

When to Use and Why

After all other attempts at collection have failed, the debtor and endorser (if any) should be considered for legal action. If such action appears necessary, the fiscal officer should not hesitate to give approval for the necessary legal steps to be carried out. To delay action which is inevitable does not help the borrower, the endorser, or the loan fund.

Although specific laws governing this type of debt collection vary somewhat from state to state, an institution can recover its loan money through litigation. "Litigation" in this sense involves an attorney using established procedures in the court system to recover money owed. This action is often referred to as "suing" the debtor. The legal basis for such action is contractual, since promissory notes are in fact contracts.

The purpose of a lawsuit is to recover money due to the institution under the terms of the promissory note. Therefore, legal action is only taken when there are sufficient assets available to pay off the loan. The cost of filing a lawsuit can range from $5 to $10 in a small claims court, and from $20 to $50 in higher courts. If the institution wins the suit, it is awarded court costs which must be paid by the borrower out of the first proceeds. If the money is not there, however, litigation can be fruitless. If there is not enough value left after all the exemptions, there is not much sense in suing because the institution will not get paid. Certain assets are considered exempt by law and cannot be used to satisfy judgments.

However, there are at times considerations other than immediate payment that might influence a decision on whether or not to sue. For instance, in all states the "statutory" law stipulates that there are certain types of judgments that are binding for a given number of years and are renewable at the end of the expiration of those years, allowing an institution to continue with a judgment. For this reason, it may be economical to proceed with suit, get a judgment, and execute it to see what money is available. Sometimes receiving notice from the court that a judgment has been entered may cause a debtor to find money from a source of which the institution was previously unaware. Also, most states provide for "supplementary proceedings" that can only be used after getting a judgment in a court of law. Attachment of bank accounts, personal property, or the act of garnishing a debtor's wages are forms of supplementary proceedings which require a previous judgment.

Generally speaking, only those debtors with assets are sued. The recommendation to seek legal action is often made by the collection agency handling the delinquent account or by the institution's attorney. In either case, the institution must give the approval to proceed.

Who Shall Represent the Institution?

Jurisdictional problems confront institutions when borrowers establish residency in another state. In such situations, the institution's attorney is without power unless a membership is held in the Bar Association of the pertinent state. When legal action becomes necessary, special procedures must be followed. It is customary for the institution's attorney, through the Bar Association, to arrange to have a corresponding attorney handle the case.

An alternate procedure is to utilize the services of a collection agency. The end results of agency use is normally legal action through an attorney in the borrower's locale. If the agency's attorney is used, the institution is required to sign a form giving consent. No agency should be allowed to proceed with legal action on any account without specific approval.

Preparation of Accounts for Litigation

If a debtor's payment habits have been so bad that legal action is necessary, the full outstanding balance of the loan should be made immediately due and payable. Merely collecting an amount past due should not lead one to assume that a borrower will be diligent from this point on. Legal proceedings are not only expensive, but they are time consuming.

Courts usually require three copies each of the promissory notes and statements of disbursements and receipts on the loan in question. An acceptable form for this is included in Appendix 15 (see page 49). In general, each advance given and each payment, broken down between principal and interest, should be shown. All deferment periods and cancellation should also be shown. The total due should be broken down between principal and interest.

There are occasions when a borrower will respond to the summons, usually resulting in a required appearance by a representative of the institution. In such cases, the complete file should be reviewed regarding the reason for the objection prior to the court appearance.

Uncollectible Loans

Reason

Despite due diligence and all the care taken to insure against uncollectible loans, all institutions will experience this problem. It has been stated in the retail trade that the business that never experienced a credit loss was missing a lot of good customers. The same is true with regard to the types of loans made by institutions of higher education. The need factors required, in order for a student to qualify for a loan, are such that all loans are given to "potential" defaults. At the time the loan is made, the borrower usually has no assets and rarely has established credit which could be used for judging credit worthiness. Is it any wonder that delinquency rates are not higher and uncollectible loans are not greater?

Bankruptcy Proceedings

Bankruptcy laws allow debtors to admit inability to pay their legal obligations and hand over what assets they possess, with certain exemptions, to the court for distribution among the creditors. *(Definition: "Bankruptcy" is the legal act of eliminating debts because of insolvency.)* In return, all liability to them (but not to endorsers), with certain exemptions, is discharged. Endorsers may still be pursued for payment of the loan. Anyone can file for bankruptcy at anytime; the law does not even require a person to have debts in order to file. However, filing when it is not necessary can be risky, since in most states a debtor can file bankruptcy only once every six years.

The following steps summarize the bankruptcy procedure:

1. The debtor files a Petition in Bankruptcy with a U.S. District Court.
2. The judge signs an order adjudicating the debtor a bankrupt.
3. A notice of date of first meeting of creditors is sent to all creditors listed by the debtor. This is the first notification that a borrower is bankrupt (see Appendix 16, page 50).
4. Creditors must file claims within six months of the first meeting of creditors. For student loans, interest may be included, but only to the date the petition is signed. Forms for filing claims may be obtained from any office supply business.
5. The court decides on the validity of claims and the assets of the debtor are sold.
6. Proceeds from the sale of assets are sold and money is distributed to creditors. Proceeds usually are not sufficient to pay priority claims. Next in line are "secured" claims. Loans are "unsecured" claims, which means there is seldom money left for loan repayment.
7. The court closes the case by entering an Order of Discharge. It is at this time that the institution can write off and cancel the loan. In most cases, the institution will have to write to the Bankruptcy Court to request the Order of Discharge which can usually be obtained about six months after the first meeting of creditors. The Order of Discharge must be in the possession of the institution as the authority to cancel the account (see Appendix 17, page 51).

Return of Loans to the Government

The Guaranteed Student Loan Program allows an institution to declare loans in default after a certain period of time and then "default" or return them to the guarantee agency for reimbursement. This procedure is discussed in chapter three.

There are no provisions for returning uncollectible Nursing or Health Professions loans to the government. Neither governing statute provides for the expenditure of funds for this purpose, which means that institutions must carry the loans on their books until the end of the loan program. However, there are certain conditions under which the government will repay loans for the borrower. They are:

1. Professional practice in certain designated shortage areas.
2. Failure to complete the course of study leading to the degree for which the loan was made.
3. The borrower is in exceptionally needy circumstances.
4. The borrower is from a low-income or disadvantaged family.
5. The borrower has not resumed, or cannot reasonably be expected to resume, study leading to a degree for which the loan was made, within a period of two years following the date upon which the borrower ceased to pursue the course of study.

Each of these are discussed in detail in chapters four and five.

The National Direct/Defense Student Loan Program does provide for the return of uncollectibie loans to the government. However, provisions for doing so have not yet been formulated by the Office of Education. The regulations require an account to be in default for two years before it can be considered uncollectible by the institution. They also require due diligence to be performed.

Compromise

To "compromise" an account means to adjust or settle the account by mutual concession. This would not be practical in the case of Guaranteed Student Loans, since the loans are guaranteed to the institution on a 100 percent basis. Health Professions and Nursing Loans do not address this issue and it is assumed that compromising is not allowed.

National Defense/Direct Student Loans will allow an institution to compromise an account in some cases. This *usually* would happen only on the advice of an attorney. In some cases an attorney may feel that the out-of-court settlement of a debt for an amount less than the borrower owes is advisable. In such cases the burden of making a decision as to whether and to what extent a claim should be compromised rests with the lending institution. It would be appropriate to compromise the debt only after giving careful consideration to the matter on the basis of such factors as the following: possible legal defenses the debtor may have; the cost of litigation in relation to the size of the claim and the likelihood of satisfying a judgment once obtained; the debtor's present financial situation and his or her future monetary prospects (e.g., a debtor may have a low-paying job with poor prospects, a large family to support, or be in poor health); the physical locale of the debtor in relation to the institution, making dealings and legal action more difficult (e.g., he or she may travel extensively or reside outside the country). The records of the institution must reflect the basis for doing so in each case where a claim is compromised.

Borrowers who attempt to have their loans compromised should be thought of like a person attempting to buy a house. The seller asks a certain price and the buyer offers something less. The "compromise" is usually something in between. Institutions should try their best to at least get the total outstanding principal.

Miscellaneous

Skip-Tracing

The continued mailing of a series of statements or letters to the same address when it becomes evident that the borrower (or endorser) no longer resides there is not due diligence. Regardless of the precautions taken and information obtained while the borrower was in school, some borrowers will become "skips." When this happens, the institution must attempt to find a correct address through the use of any information obtained from the borrower while in attendance at the institution, or through such offices as the Registrar's Office or the Alumni Office. Appendix 18 (see page 52) is a skip-tracing check sheet which may be used in order to follow a systematic procedure for such. An institution would not be able to use every item listed, but should make use of as many as possible.

If a borrower cannot be located from information available at the institution, it should engage the services of a commercial skip-tracing organization. Such services are available at reasonable fees. At least one company offers to skip-trace on a contingent basis with a charge of $6.00 per located account. In addition, the same company advertises that it is programmed to locate students within fifteen days.

Success in skip-tracing is often contingent on the information provided. The following information is considered important in locating "lost" borrowers and is listed in order of priority:

1. Parents' name and address
2. Parents' employment
3. Other relatives' addresses
4. Spouse's employment
5. Borrower's employment
6. Last year attended school
7. References
8. Last known address
9. Motor vehicle license number
10. Credit reference

The more information provided, the greater the probability of success in location. If the institution uses the Personal and Confidential Information Form (Appendix 2), it would provide a copy for the skip-tracing agency.

An institution should be able to reduce the number of accounts being referred to a collection agency by using a skip-tracing service. When the borrower is located, the institution should immediately contact the borrower for the purpose of collecting the amount due. Since most borrowers will respond only when contacted, the importance of being able to send a statement to the correct address cannot be over-emphasized. Most borrowers will respond once located.

Past Due Lists

At some point in the collection process, each institution should prepare a list of its past due accounts. The purpose of this list is to aid the collector in keeping track of past due accounts and to make certain that those accounts are treated according to an orderly system of due diligence. This list can also be used as a management tool to judge the effectiveness of its collectors or of the collection agencies. It should be updated whenever the status of a borrower changes.

Delinquency Reports

A delinquency report can also be used as a management tool in judging the effectiveness of the institution's collection program. Each loan program has its own definition of "delinquency rates" and its own method of determining what should be included in calculating the rates. Once established, the same method should be used consistently in order to arrive at meaningful data. Appendix 19 (see page 54) is a sample of a delinquency report covering a sixteen-month period.

It is also helpful to produce a past-due analysis of accounts by age. This report might be headed similar to the accompanying chart.

This report would indicate at a glance how

AGE	NUMBER OF ACCOUNTS	PRINCIPAL	INTEREST	TOTAL
1 Month				
2 Months				
3 Months				
4 Months				
5 Months				
6 Months				
7–12 Months				
12–18 Months				
18–24 Months				
24–30 Months				
30–36 Months				
3–4 Years				
4–5 Years				
Over 5 Years				
Total Past Due				

many accounts are still being carried but should have been defaulted to the government.

Conclusion

This first chapter is meant to present a general "how-to-do-it" approach to student loan collections. The following four chapters cover specific federal loan programs and are complete in and of themselves.

Some methods work for some institutions that do not work for others. If an institution is experiencing problems in a specific area, it is advisable to try another approach. The federal government has attempted to eliminate further funding of current loan programs. If institutions, as collectors, cannot find the key to unlock the secret of successful collections, they may witness the end of institutions' ability to make loans. If this happens, everyone would suffer, including collectors who would be without jobs. Be inventive, be persistent, and, above all, be successful!

Appendix 1

Statement of Rights and Responsibilities

A loan is a serious legal obligation. Therefore it is extremely important that you understand your rights and responsibilities. When you, the student borrower, sign this statement it means that you do understand your responsibilities, and you agree to honor them.

1. I understand that I must, without exception, report any of the following changes to:

________________ (name, address, phone number of school's collection office) ________________

   (a) If I withdraw from school.
   (b) If I transfer to another school.
   (c) If I drop below half-time status.
   (d) If my name should change (for example, because of marriage).
   (e) If my address, or my parents' address changes.
   (f) If I join the military service, Peace Corps, or VISTA.

2. I understand that when I graduate or withdraw from ______ (name of school) ______, I must arrange for an exit interview by calling ______ (phone number) ______.

3. I understand that my first ______ (frequency) ______ payments will be due ______ (number) ______ months from the time I cease to be at least a half-time student.

4. I understand that my minimum ______ (frequency) ______ payment will be at least $__________. It may be more if the amount borrowed is sufficient to require larger payments.

5. I understand that the ANNUAL PERCENTAGE RATE OF ______% will be the FINANCE CHARGE based on the unpaid balance and that it will begin to accrue ______ (number) ______ months after I cease to be enrolled as at least a half-time student.

6. I understand that cancellation may be granted for certain types of activities and in the event of death or permanent disability. I also accept the responsibility to inform the school of such status.

7. I understand that if I enter the military service, Peace Corps, or VISTA, or return to at least half-time study at an institution of higher education, I may request that the payments on my loan be deferred.

8. I understand that if I fail to repay my loan as agreed, the total loan may become due and payable immediately and legal action could be taken against me.

9. I understand that I will promptly answer any communication from ______ (name of school) ______ regarding the loan.

10. I understand I may prepay at anytime. I further understand that future interest will be reduced by making such payments.

11. I understand that if I cannot make payment on time, I must contact ______ (name of school) ______ to make arrangements.

12. I authorize ______ (name of school) ______ to contact any school which I may attend, to obtain information concerning my student status, my year of study, my dates of attendance, graduation, or withdrawal, my transfer to another school, or my current address.

I ATTEST THAT I HAVE READ AND UNDERSTAND THE RESPONSIBILITIES AND OPTIONS AVAILABLE TO ME, AND THAT I WILL ADHERE TO THEM.

______________________ Date

______________________ Signature of Student

______________________ Signature of Lending Institution Representative

White—Lender Copy
Green—Student Copy

Appendix 2

Personal and Confidential Information

To be completed by the student: Date ______________________
(PLEASE PRINT)

NAME ______________________ STUDENT NUMBER ______________
(Last) (First) (Middle Initial)

LOCAL ADDRESS: *PERMANENT ADDRESS:*

STREET (inc. Apt. #) ______________ STREET (inc. Apt. #) ______________

CITY ______________ CITY ______________

STATE ______________ ZIP ______ STATE ______________ ZIP ______

TELEPHONE NO. ______________ TELEPHONE NO. ______________ (area code)

Birth Date ______________ Social Security Number ______________

Driver's License Number ______________ State ______________

Your Part-time Job (Company Name) ______________________

College ______________ Major ______________

CLASS: Fresh. ____ Soph. ____ Jr. ____ Sr. ____ Grad. ____ Exp. Graduation Date ______________

Spouse's Name ______________ Spouse's Employment ______________

PARENT OR GUARDIAN:

Name ______________________
(First) (Initial) (Last)

Street (inc. Apt. #) ______________ Telephone ______________ (area code)

City ______________ State ______________ Zip Code ______

Parent's Employer's Name ______________________

Employer's Business Address ______________________
(City) (State)

Brothers and Sisters over 18 not living at home, (List married name of sisters, for example: Mrs. Robert R. Anderson.)

Name ______________ Address ______________

Name ______________ Address ______________

PERSONAL REFERENCES:

Name ______________ Address ______________

Name ______________ Address ______________

INSURANCE COMPANY OR AGENT:

Automobile ______________ Address ______________

Life ______________ Address ______________

THIS FORM MUST BE COMPLETED BEFORE FINANCIAL AID CAN BE ISSUED.

Appendix 3

Sample Truth in Lending Form

(to be executed when loan commitment is made)

Amount of Loan $_______ Loan No.

The ____(Type of Loan)____ Student Loan(s) which you have received, together with an ANNUAL PERCENTAGE RATE of % on the unpaid balance, is repayable in accordance with a repayment schedule approved by the school and the Secretary of Health, Education, and Welfare, and agreed to by you, the Maker, at the time you cease to pursue an eligible course of study at the school. The FINANCE CHARGE begins to accrue at the termination of the grace or other deferment period.

The AMOUNT FINANCED (or the total of all loans due) is repayable in accordance with the provisions of the promissory note and the repayment schedule to be attached thereto, and this is subject to provisions relating to DELINQUENCY and DEFAULT CHARGES specified in the promissory note.

The Maker may, at his or her option, and without penalty, prepay all or any part of the principal plus the accrued interest at any time.

_______________ Date

_______________ Signature—Lender

The Maker acknowledges receipt of an exact copy of this statement.

_______________ Date

_______________ Signature—Maker

_______________ Address

Appendix 4

Sample Truth in Lending Form

(to be executed when repayment schedule is signed)

The ________(Type of Loan)________ Student Loan(s) which you have received, together with an ANNUAL PERCENTAGE RATE of ____% on the unpaid balance, is repayable in accordance with this repayment schedule. The FINANCE CHARGE begins to accrue ____(month) (day) (year)____.

The AMOUNT FINANCED $________ (less any amounts repaid, or canceled in accordance with the provisions of the promissory note) together with $________ FINANCE CHARGE (the total amount of interest to be paid during the repayment period), is to be canceled or repaid in ____(number of)____ payments of $____________ (except as otherwise indicated in the repayment schedule) for a total of payments of $________. The due date of payments shall be: ____(month) (day) (year)____ and the same date each ____(year, six months, quarter, month)____ thereafter.

The AMOUNT FINANCED (or the total of all loans due) is repayable in accordance with this repayment schedule, and this is subject to provisions relating to DELINQUENCY and DEFAULT CHARGES specified in the promissory note(s). (Specify where applicable.)

The Maker may, at his or her option, and without penalty, prepay all or any part of the principal plus the accrued interest at any time.

______________________ ______________________

Date Signature—Lender

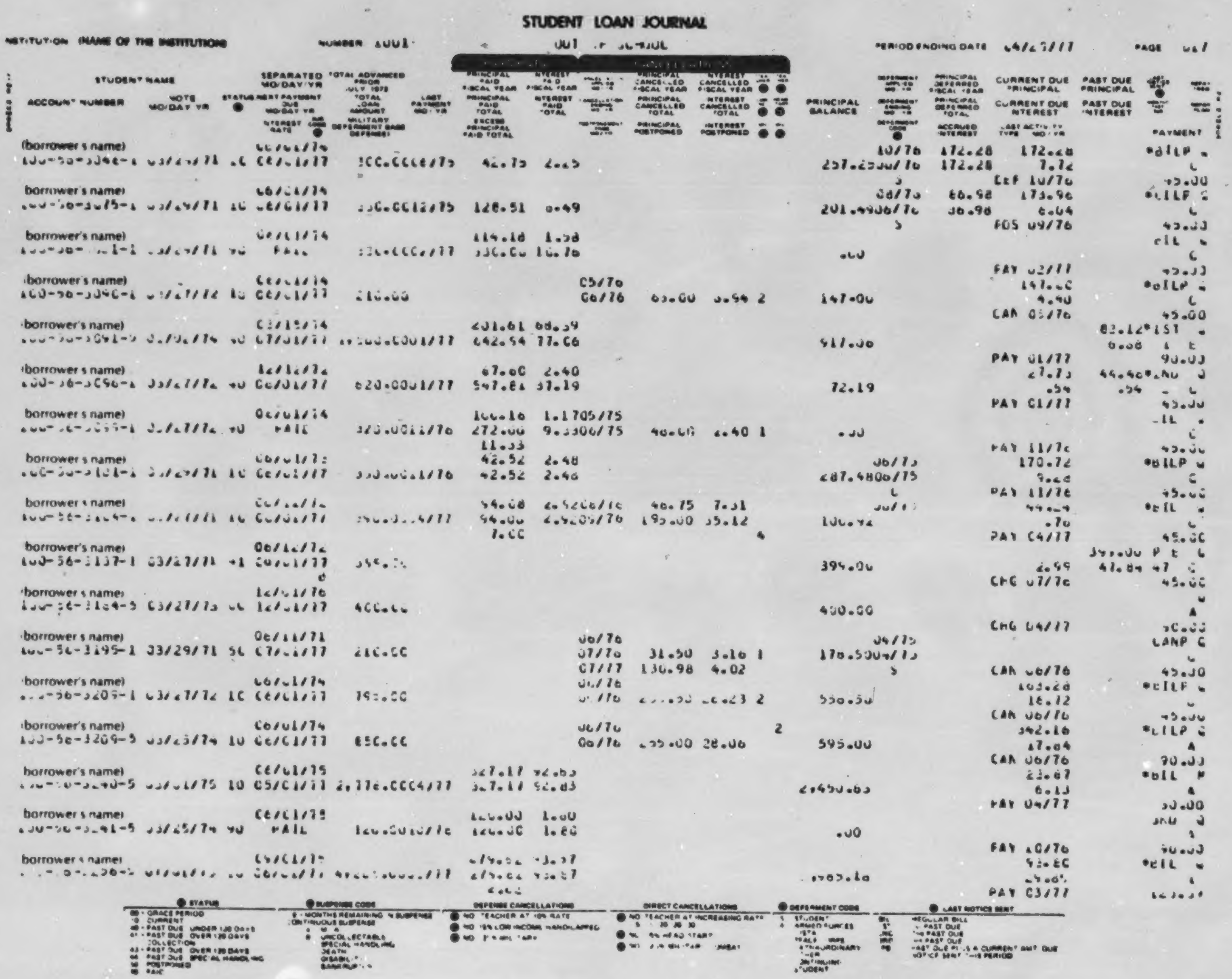
The Maker acknowledges receipt of an exact copy of this statement.

______________________ ______________________

Date Signature—Maker

____

Address



STUDENT LOAN JOURNAL

INSTITUTION (NAME OF THE INSTITUTION) NUMBER

PERIOD ENDING DATE PAGE

STUDENT NAME
ACCOUNT NUMBER
NOTE MO/DAY YR
STATUS ●
SEPARATED MO/DAY/YR
NEXT PAYMENT DUE MO/DAY YR
INTEREST RATE
TOTAL ADVANCED PRIOR JULY 1972
TOTAL LOAN AMOUNT
MILITARY DEFERMENT BASE (DEFENSE)
LAST PAYMENT MO/YR
PRINCIPAL PAID FISCAL YEAR
PRINCIPAL PAID TOTAL
EXCESS PRINCIPAL PAID TOTAL
INTEREST PAID FISCAL YEAR
INTEREST PAID TOTAL
PRINCIPAL CANCELLED FISCAL YEAR
PRINCIPAL CANCELLED TOTAL
PRINCIPAL POSTPONED
INTEREST CANCELLED FISCAL YEAR
INTEREST CANCELLED TOTAL
INTEREST POSTPONED
PRINCIPAL BALANCE
PRINCIPAL DEFERRED FISCAL YEAR
PRINCIPAL DEFERRED TOTAL
ACCRUED INTEREST
CURRENT DUE PRINCIPAL
CURRENT DUE INTEREST
LAST ACTIVITY TYPE MO/YR
PAST DUE PRINCIPAL
PAST DUE INTEREST
PAYMENT

● STATUS
- 00 - GRACE PERIOD
- 10 CURRENT
- 40 - PAST DUE UNDER 120 DAYS
- 41 - PAST DUE OVER 120 DAYS COLLECTION
- 43 - PAST DUE OVER 120 DAYS
- 44 PAST DUE SPECIAL HANDLING
- 50 POSTPONED
- 90 PAID

● SUSPENSE CODE
- 9 - MONTHS REMAINING IN SUSPENSE
- CONTINUOUS SUSPENSE
- 6 UNCOLLECTABLE
- SPECIAL HANDLING
- DEATH
- DISABILITY
- BANKRUPTCY

DEFENSE CANCELLATIONS
- ● NO TEACHER AT 10% RATE
- ● NO 15% LOW INCOME HANDICAPPED
- ● NO

DIRECT CANCELLATIONS
- ● NO TEACHER AT INCREASING RATE
- ● HEAD START

● DEFERMENT CODE
- STUDENT
- ARMED FORCES
- EXTRAORDINARY
- STUDENT

● LAST NOTICE SENT
- REGULAR BILL
- PAST DUE
- PAST DUE
- PAST DUE
- PAST DUE PLUS A CURRENT AMT DUE
- NOTICE SENT THIS PERIOD

Appendix 6

Codes

ALPHA	*COMBINATION*	*DEFINITION*
	Loan Status Codes	
E	70	In school where loan was granted
G	00	Grace period
R	10	In current repayment
P	40	Past due but not in default
CA	41	At collection agency
L	42	In litigation
DE	43	Past due—in default
SH	44	Past due—special handling
PP	50	Postponed
PD	90	Paid
	Deferment Codes	
C	C	Student in grace period at another school
S	S	Student deferment beyond grace period
A	A	Armed Forces Deferment
V	V	VISTA Deferment
PC	P	Peace Corps Deferment
E	E	Extraordinary Deferment
HT	HT	Less than ½ time (Defense only)
	Cancellation Codes	
D	D	Death cancellation
H	H	Disability cancellation
X	X	Bankruptcy cancellation
A1	A1	Teaching—Defense 10%
B1	B1	Teaching—Defense 15%
M	M	Military—Defense
M1	M1	Military—Direct
C1	C1	Teaching—Direct 15%
C2	C2	Teaching—Direct 20%
C3	C3	Teaching—Direct 30%
F	F	Direct—Head Start
	Miscellaneous Codes	
B	B	Bad Address

Appendix 7

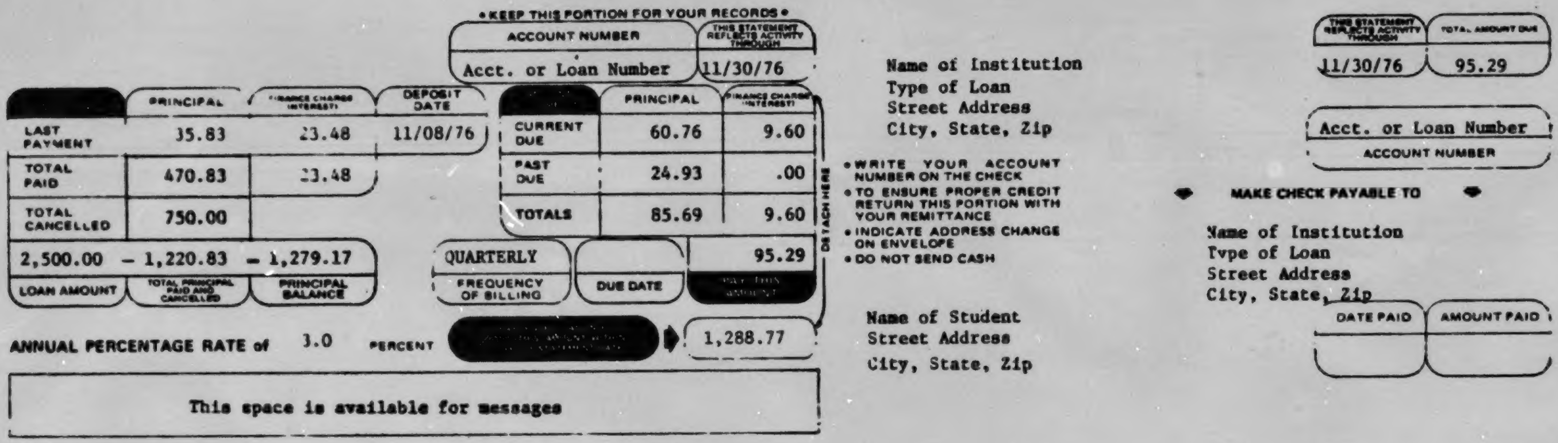
Repayment Chart

This chart can be used to figure repayment schedules for any size loan. As an example, if the loan is for $1,666.00, add together the amounts for $1,000, $600, $60, and $6. All figures are for equal payments of principal and interest.

				ANNUAL			
Loan	*3% Annual*	*3% Quarterly*	*3% Monthly*	*4¼%*	*4⅝%*	*4¾%*	*5⅜%*
$ 1	.12	.03	.01	.12	.13	.13	.13
2	.24	.06	.02	.25	.25	.26	.26
3	.35	.09	.03	.37	.38	.38	.40
4	.47	.12	.04	.50	.51	.51	.53
5	.59	.15	.05	.62	.64	.64	.66
6	.71	.17	.06	.75	.76	.77	.79
7	.82	.20	.07	.87	.89	.90	.92
8	.94	.23	.08	1.00	1.02	1.02	1.06
9	1.06	.26	.09	1.12	1.14	1.15	1.19
10	1.18	.29	.10	1.25	1.27	1.28	1.32
20	2.35	.58	.19	2.50	2.54	2.56	2.64
30	3.53	.87	.29	3.75	3.81	3.84	3.96
40	4.70	1.16	.39	4.99	5.09	5.12	5.28
50	5.88	1.45	.48	6.24	6.36	6.40	6.59
60	7.05	1.74	.58	7.49	7.63	7.67	7.91
70	8.23	2.03	.68	8.74	8.90	8.95	9.23
80	9.40	2.32	.77	9.99	10.17	10.23	10.55
90	10.58	2.61	.87	11.24	11.44	11.51	11.87
100	11.75	2.90	.97	12.48	12.72	12.79	13.19
200	23.50	5.80	1.93	24.97	25.43	25.59	26.38
300	35.25	8.70	2.90	37.45	38.15	38.38	39.56
400	47.00	11.60	3.86	49.94	50.86	51.18	52.75
500	58.75	14.50	4.83	62.42	63.58	63.97	65.94
600	70.50	17.40	5.79	74.90	76.30	76.76	79.13
700	82.25	20.30	6.76	87.39	89.01	89.56	92.32
800	94.00	23.20	7.72	99.87	101.73	102.35	105.50
900	105.75	26.10	8.69	112.36	114.44	115.15	118.69
1000	117.50	29.00	9.65	124.84	127.16	127.94	131.88

Defense Loans of $1,551.00 or less will require $45.00 per quarter or $15.00 per month.
Direct Loans of $3,103.00 or less will require $90.00 per quarter or $30.00 per month.
Health Professions or Nursing Loans of $1,551.00 or less require $180.00 per year.

Appendix 8



• KEEP THIS PORTION FOR YOUR RECORDS •

ACCOUNT NUMBER	THIS STATEMENT REFLECTS ACTIVITY THROUGH
Acct. or Loan Number	11/30/76

	PRINCIPAL	FINANCE CHARGE (INTEREST)	DEPOSIT DATE
LAST PAYMENT	35.83	23.48	11/08/76
TOTAL PAID	470.83	23.48	
TOTAL CANCELLED	750.00		

LOAN AMOUNT		TOTAL PRINCIPAL PAID AND CANCELLED		PRINCIPAL BALANCE
2,500.00	–	1,220.83	–	1,279.17

	PRINCIPAL	FINANCE CHARGE (INTEREST)
CURRENT DUE	60.76	9.60
PAST DUE	24.93	.00
TOTALS	85.69	9.60

FREQUENCY OF BILLING	DUE DATE	PAY THIS AMOUNT
QUARTERLY		95.29

ANNUAL PERCENTAGE RATE of 3.0 PERCENT

1,288.77

This space is available for messages

DETACH HERE

Name of Institution
Type of Loan
Street Address
City, State, Zip

- WRITE YOUR ACCOUNT NUMBER ON THE CHECK
- TO ENSURE PROPER CREDIT RETURN THIS PORTION WITH YOUR REMITTANCE
- INDICATE ADDRESS CHANGE ON ENVELOPE
- DO NOT SEND CASH

Name of Student
Street Address
City, State, Zip

THIS STATEMENT REFLECTS ACTIVITY THROUGH	TOTAL AMOUNT DUE
11/30/76	95.29

Acct. or Loan Number
ACCOUNT NUMBER

MAKE CHECK PAYABLE TO

Name of Institution
Type of Loan
Street Address
City, State, Zip

DATE PAID	AMOUNT PAID

Appendix 9

Sample of Messages Which Might be Used on the Statement Form

(These messages can take the place of the written letter and should get progressively stronger with each statement.)

GRACE PERIOD EXPIRATION—(Approximately 180 Days)

"Your grace period will expire on MM/DD/YY and your first payment will be due MM/DD/YY. You may still make interest free payments until MM/DD/YY if you wish."

ADVANCE NOTICE—30 Days on first payment
—At least 10 Days on all others

"Prompt repayment of this bill will enable other qualified students to pursue their education. Thank you."

FIRST PAST DUE—15 Day Follow-up

"Did you forget? This bill is now past due. Please take care of this matter today!"

45–60 DAYS PAST DUE

"Your Student Loan is a serious obligation which you seem to be ignoring. If you have any questions, please contact us. Otherwise, remit payment!"

75–90 DAYS PAST DUE

"Previous requests have been made for payment on your seriously delinquent account. If payment is not received, your account may be referred for collection."

Appendix 10

Sample Letter to be Used at 90–120 Days

Dear :

The ________(type of loan)________ allows an institution to refer accounts to a collection agency if the accounts become ______ days past due. Failure to do so could result in the termination of the program at that institution for failure to use "due diligence."

It is with regret that I find it necessary to use this action on your account. However, our records indicate that $________ is due and that you have taken no positive action to bring your account current.

Therefore, if payment is not received, or if arrangements have not been made with us within fifteen (15) days from the date of this letter, your account will be referred for collection. This could result in the total unpaid balance being due immediately as agreed to when you signed your note. A self-addressed envelope has been provided for your use in sending your check. Please make your check payable to ____ ________________ __________.

Sincerely,

Appendix 11

Request for Hardship Deferment

Name______________ (First) ______________ (M. I.) ______________ (Last) Account Number______________

I request a hardship deferment on my ______ (Type) ______ Student Loan. I understand that all information and supporting documents given will be held in strictest confidence and will not be subject to dissemination outside the requirements of ______ (name of institution) ______. I also understand that, if granted, this hardship deferment is for no more than six months duration. I understand that interest continues to accrue during hardship deferment.

1. Social Security No.______________
3. Date continuous unemployment began______________ Mo./Yr.
5. Check and complete one of the items below:
   - _____I have never been employed
   - _____I have received the maximum allowable unemployment benefits
   - _____I did not work long enough to be eligible for unemployment benefits
   - _____I am receiving weekly unemployment benefits of $______________
7. I am receiving monthly public assistance in the amount of $______________
9. My savings account balance is $______________
10. My checking account balance is $______________
11. Spouse's net monthly income $______________
12. If single and living with parents, parents combined net monthly income $______________
13. If separated or divorced, monthly support income $______________
14. I am a widow(er) and am receiving $__________ a month from my spouse's estate, social security, veterans benefits, etc.
15. Total other income $______________ (Itemize on back of form)

2. Date of Birth______________
4. *Status:*
   - _____Single
   - _____Married
   - _____Widow(er)
   - _____Separated or Divorced
6. *Dependents:*

Relationship	Age

8. My monthly expenses are:

Rent or Mortgage (Cross out one)	$______________
Utilities	______________
Food	______________
Car	______________
Other	______________
Total	$______________

I have other outstanding liabilities totalling $__________ not listed above. (Please itemize these on the back of this form)

Please use the back of this form in conveying any circumstances that you feel would have a bearing on your request for hardship deferment not covered above.

I CERTIFY THAT ALL STATEMENTS MADE ABOVE ARE TRUE AND CORRECT. I ALSO CERTIFY THAT I WILL IMMEDIATELY NOTIFY YOUR OFFICE OF ANY CHANGE IN MY EMPLOYMENT STATUS OR SIGNIFICANT CHANGE IN MY FINANCIAL PICTURE.

______________________________ Signature

______________ Date

Appendix 12

Sample Letter Responding to Request for Hardship Deferment

Dear Borrower:

Your Request for Hardship Deferment has been received and the following determination has been made concerning your request:

____ 1. FULL HARDSHIP DEFERMENT IS GRANTED THROUGH ______ ______.
Mo. Yr.

Interest will continue to accrue during this deferment period. Any change in your employment status or significant change in your financial picture must be immediately transmitted to this office during this time.

____ 2. PARTIAL HARDSHIP DEFERMENT IS GRANTED THROUGH ______ ______.
Mo. Yr.

In reviewing your current financial situation, as indicated on your request, it has been determined that you can make $________ a month remittance until such time that your financial situation improves. Interest will continue to accrue during this partial deferment. Any change in your employment status or significant change in your financial picture must be immediately transmitted to us.

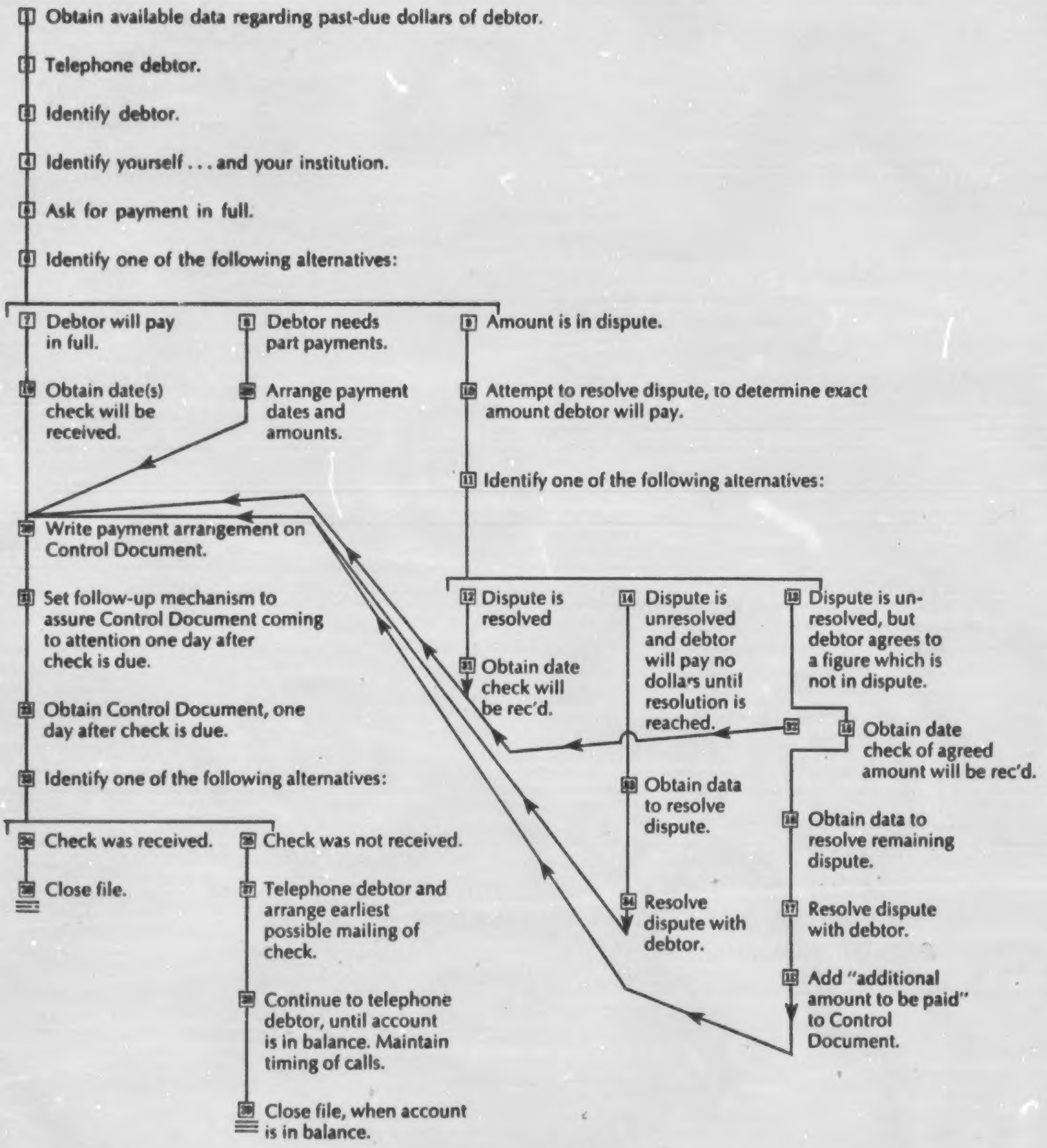
____ 3. YOUR REQUEST FOR HARDSHIP DEFERMENT IS DENIED.

A review of your current fiscal situation indicates that you should be able to make your regular payments without creating any undue hardship. $________ is currently due on your account, which must be received in this office within fourteen (14) days.

Sincerely yours,

Appendix 13

Collection Flow Chart



Obtain available data regarding past-due dollars of debtor.

Telephone debtor.

Identify debtor.

Identify yourself . . . and your institution.

Ask for payment in full.

Identify one of the following alternatives:

Debtor will pay in full.

Obtain date(s) check will be received.

Debtor needs part payments.

Arrange payment dates and amounts.

Amount is in dispute.

Attempt to resolve dispute, to determine exact amount debtor will pay.

Identify one of the following alternatives:

Dispute is resolved

Obtain date check will be rec'd.

Dispute is unresolved and debtor will pay no dollars until resolution is reached.

Obtain data to resolve dispute.

Resolve dispute with debtor.

Dispute is unresolved, but debtor agrees to a figure which is not in dispute.

Obtain date check of agreed amount will be rec'd.

Obtain data to resolve remaining dispute.

Resolve dispute with debtor.

Add "additional amount to be paid" to Control Document.

Write payment arrangement on Control Document.

Set follow-up mechanism to assure Control Document coming to attention one day after check is due.

Obtain Control Document, one day after check is due.

Identify one of the following alternatives:

Check was received.

Close file.

Check was not received.

Telephone debtor and arrange earliest possible mailing of check.

Continue to telephone debtor, until account is in balance. Maintain timing of calls.

Close file, when account is in balance.

Appendix 14

Loan Collector's Guide

Telephone Procedure

1. Identify borrower.
2. Tell borrower who is calling.
3. State purpose of call.
4. Establish reason for delinquency.
5. Get a definite commitment from borrower.
6. Keep a written record of all arrangements.

Be courteous, firm, and business-like at all times. Remember: to every defaulted borrower, YOU are ______________________
(Name of School)

The Responsibilities of a Collector are to:

A. Exhaust all possible means of contacting every defaulted borrower.
B. Complete each contact with a definite understanding and commitment by the borrower.
C. Follow up promptly and decisively on every promise made by a borrower.
D. Note all information that will be of future use in handling the account.
E. Refer to Supervisor all cases where satisfactory arrangements cannot be made or where there is doubt as to the proper course of action to be taken.

Sources of Funds for Repayment of Loans

1. Borrow from:
   A. Friends
   B. Parents
   C. Other family members
   D. Employer
   E. School
   F. Church
   G. Credit Union
   H. Bank
   I. Savings and Loan Associations
   J. Labor or Trade Unions
   K. Professional Associations
   L. Life insurance policy
   M. Master Charge Account
   N. BankAmericard
   O. Finance Company
2. Consolidation of loans
3. Sell car—other possessions
4. Take 2nd, 3rd, or 4th mortgage
5. Cash savings bonds
6. Use savings
7. Pawn shop
8. Part-time job
9. Wife or husband go to work
10. IRS refund

BORROWER
CLAIMS
PAYMENT
MADE

1. How was payment made? In person? By mail? Was statement stub returned?
2. When was payment made?
3. How much was paid?
4. Why wasn't payment made on time?
5. Is payment schedule satisfactory?
6. Discuss next payment date and importance of paying on time to preserve credit rating.
7. Keep a record of all conversations with borrower.

ON ALL BORROWER CONTACTS

Be Courteous
Be Firm
Keep on Business Basis

PROMISE

1. Review previous payments and promises.
2. Does record indicate a promise can logically be accepted?
3. Find out why the defaulted borrower is delinquent. Why he or she cannot pay now.
4. In taking promise, find out HOW, WHEN, WHERE, and HOW MUCH borrower will pay.
5. Be sure in your mind that the promise can be kept.
6. If there is any doubt as to the source of the money, ask the borrower where he or she is getting it.
7. Don't take a distant promise—insist on payment as soon as possible—no later than next payday.
8. Before closing, review with the borrower the date, amount, and manner of the promised payment. Ask him or her to come to us in the future rather than waiting until we call. Stress that future payments must be made on time.

BROKEN PROMISE

1. Do not accept a new promise until you have explored the reasons for the broken one.
2. Find out why the borrower did not notify you when he or she couldn't keep promise.
3. Tell him or her what we now expect—strive for immediate action on his or her part.
4. Be sure borrower understands that we are not interested in promises that cannot be kept.
5. Imply that he or she is damaging his or her credit image which may prove to be a severe handicap later on.
6. Be certain that your new promise accepted from this borrower is a firm one that you have explored completely and that you are satisfied will bear fruit.
7. You are in a position to be much more firm when the borrower has already broken a promise he or she made personally to you.

IT IS THE POLICY OF THIS OFFICE NEVER TO THREATEN BORROWERS. THREATS MAY OFTEN LEAD TO LEGAL SANCTIONS AGAINST THE COLLECTOR AND THE SCHOOL. MAKE ONLY STATEMENTS OF FACT THAT YOU KNOW ARE TRUE AND THAT YOU WILL BE ABLE TO FOLLOW THROUGH ON.

BORROWER NOT HOME

1. Get as much information as possible from person answering phone.
2. Do not reveal the nature of your business to a third party.
3. Find out when borrower will be home.
4. Don't rely on a small child to relay your message. In most such cases—call back.
5. Leave a message for the borrower to call you at a definite time.
6. Under no circumstances leave any threatening messages or make any promises you cannot keep.
7. If borrower is all too frequently "not home," consider that he or she may be avoiding your call and that other means of contact may be necessary.

CHRONIC DELINQUENT

1. Never let the borrower think we can be stalled. Therefore, do not let borrowers brush you off with a fast promise. Make it be a qualified statement on his or her part that has credence and that you are willing to accept.
2. Relate the importance of paying on time.
3. If you feel that you are getting nowhere on curing the delinquency—refer to your Supervisor for suggestions.
4. Chronic delinquents comprise the bulk of your workload. Every one of these accounts that you can collect to a current status allows you to spend more time on the other serious problems confronting you.
5. Remember—a chronic delinquent requires much firmer handling than the borrower who is delinquent only occasionally.

ILLNESS

1. Does borrower have any other compensation?
2. If other member of the family is ill—how does this justify holding up payments to us?
3. If this a cause of delinquency or an excuse for not paying?
4. If there is a definite loss of income, do the circumstances justify an extension?
5. Before closing, determine why borrower did not let us know about the problem before we were forced to contact him or her.

UNEMPLOYED

1. OUT OF WORK! WHY? HOW LONG?
2. Does borrower get unemployment insurance and how much can he or she pay out of this? How soon?
3. What are prospects for future employment?
4. Can he or she borrow payment from friends or relatives, cash bonds, life insurance policy, savings account?
5. Does the borrower have back pay coming?
6. Does the borrower qualify for an extension?
7. Why didn't the borrower let us know?
8. Get the borrower into office to work out solution if necessary. Don't close without a definite arrangement for action on the part of the borrower.
9. Is spouse employed? If so, will not this permit making the payment?

1. Obtain details from the court or from the bankrupt's attorney.
2. If the identity of the court or the attorney is not known to you, obtain *this information only* from the bankrupt personally.
3. Refer to your supervisor on how to proceed further.

REQUEST FOR EXTENSION

1. Establish that the need for extension is genuine. If the account is delinquent, this will take in the reason for delinquency.
2. Where finances are strained temporarily, a brief extension may be the answer if the reasons justify it. In some cases an actual extension may not be needed. Where the borrower needs 2 weeks, for example, we can handle on a promise basis providing future payments can be paid on time.
3. Do not grant extensions indiscriminately! Consider borrower's past payment record. Correctly used they represent a good adjustment tool. Misused, they can be a poor excuse for not collecting on an account.
4. On all requests for extension where there is cause for doubt—consult with your Supervisor.

EXTENSIONS ARE NEVER TO BE USED TO SIMPLY REMOVE A DELINQUENT FROM THE PAST DUE REPORT.

1ST PAYMENT
DELINQUENT

1. Why was late notice ignored?
2. Let borrower know that "We expect him (or her) to contact us." This is a poor way to start off a new account.
3. Find out if schedule is satisfactory and tell borrower that we are going to insist that he or she live up to it.
4. Your handling of a 1st payment delinquency is very important! It can determine the pattern of borrower's paying for the entire balance of the obligation.
5. Close with a definite understanding on this payment and future payments.

GET THE BORROWER OFF TO A PROPER START. SAVE YOURSELF REPEATED HANDLING IN THE FUTURE.

BORROWER DECEASED

1. Advise that the borrower's obligation to repay the loan will be forgiven when we receive a death certificate.
2. Follow up to obtain death certificate.

COMPLAINT
RE:
SCHOOL

1. Advise borrower that the school is accredited by a national accrediting association.
2. Listen to borrower complaints and request that they be set down in writing for investigation. Stress that regardless of these complaints, the loan must be repaid.
3. Insist that borrower pay on the account while the complaint is being investigated.
4. If a refund is due, obtain borrower's consent to have the refund applied to the delinquent account.
5. Do not judge the "innocence or guilt" of the borrower or the school.
6. Refer account to your supervisor if you are unable to work out a repayment agreement.

SUSPENSIONS

A delinquent borrower may be eligible for deferment.
A deferment may be granted for the following reasons.

1. *Active Duty*—U.S. Armed Forces, Peace Corps, full-time VISTA. Obtain certification of status from borrower's commanding officer or supervisor. Be sure to obtain information relative to date of termination of service.
2. *Borrower enrolled in school*—Obtain certification of status from school for EACH term. Be sure exact dates are shown. Determine expected completion date. (On GSL advise borrower of ineligibility for further loans until defaulted loan is repaid in full.)
3. *Harship*—
   - A. Repayment may be suspended when the borrower suffers temporary financial hardship. Suspensions are subject to review on a 30 to 90 day basis. When a suspension is approved, advise the borrower when it will expire and insist that contact be made with you prior to the expiration date to establish a repayment schedule or justify continued suspension.
   - B. Possible reasons for hardship suspension:

Unemployment
On Welfare
Emergency Expenses
Illness

Appendix 15

Sample Letter of Disbursements and Receipts

(for use on an account being placed with an attorney for litigation)

Dear Sirs:

Please consider the following a statement for the account of _(name of borrower)_ ________, Account Number __________.

		PAID		
DATE	*BORROWED*	*Prin.*	*Int.*	*BALANCE*
9/66	333.00			333.00
1/67	333.00			666.00
3/67	334.00			1,000.00
6/67	333.00			1,333.00
9/67	333.00			1,666.00
1/68	333.00			1,999.00
1968–69	TC*	299.85	14.56	1,699.15
1969–70	TC*	299.85	49.24	1,399.30
4/70		57.97		1,341.33
1/71		37.85	20.12	1,303.48
9/71		202.54	29.34	1,100.94
12/71		49.71	8.26	1,051.23
3/72		50.08	7.89	1,001.15
6/72		101.68	14.26	899.47

* Teacher Cancellation

Interest at 3% per year began on MM/DD/YY, and has accumulated to $26.14. If legal action is necessary, the total amount of $925.61 will be required.

Sincerely,

Appendix 16

United States District Court

For the ______________ District of ______________

In re

Bankrupt *

Bankruptcy No. ____________

ORDER FOR FIRST MEETING OF CREDITORS AND FIXING TIMES FOR FILING OBJECTIONS TO DISCHARGE AND FOR FILING COMPLAINT TO DETERMINE DISCHARGEABILITY OF CERTAIN DEBTS, COMBINED WITH NOTICE THEREOF AND OF AUTOMATIC STAY

To the bankrupt, his creditors, and other parties in interest:

of **

having been adjudged a bankrupt on a petition filed by him on
it is ordered, and notice is hereby given, that:

1. The first meeting of creditors shall be held at
on at o'clock A. .m.

2. The bankrupt shall appear in person [*or, if the bankrupt is a partnership,* by a general partner, *or, if the bankrupt is a corporation,* by its president *or other executive officer*] before the court at that time and place for the purpose of being examined.

3. is fixed as the last day for the filing of objections to the discharge of the bankrupt.

4. is fixed as the last day for filing of a complaint to determine the dischargeability of any debt pursuant to § 17c (2) of the Bankruptcy Act.

You are further notified that:

The meeting may be continued or adjourned from time to time by order made in open court, without further written notice to creditors.

At the meeting the creditors may file their claims, elect a trustee, elect a committee of creditors, examine the bankrupt as permitted by the court, and transact such other business as may properly come before the meeting.

AS A RESULT OF THIS BANKRUPTCY, CERTAIN ACTS AND PROCEEDINGS AGAINST THE BANKRUPT AND HIS PROPERTY ARE STAYED AS PROVIDED IN BANKRUPTCY RULES 401 AND 601.

If no objection to the discharge of the bankrupt is filed on or before the last day fixed therefor as stated in subparagraph 3 above, the bankrupt will be granted his discharge. If no complaint to determine the dischargeability of a debt under clause (2), (4), or (8) of § 17a of the Bankruptcy Act is filed within the time fixed therefor as stated in subparagraph 4 above, the debt may be discharged.

In order to have his claim allowed so that he may share in any distribution from the estate, a creditor must file a claim, whether or not he is included in the list of creditors filed by the bankrupt. Claims which are not filed within 6 months after the above date set for the first meeting of creditors will not be allowed, except as otherwise provided by law. A claim may be filed in the office of the undersigned bankruptcy judge on an official form prescribed for a proof of claim.

Unless the court extends the time, any objection to the report of exempt property must be filed within 15 days after the report has been filed.

Dated:

____
Bankruptcy Judge

---

* *Include all names used by bankrupt within last 6 years.*

** *State post office address.*

Appendix 17

United States District Court

For the ______________________ District of ______________________

In re

Bankruptcy No. ______ ______

*Bankrupt**

DISCHARGE OF BANKRUPT

It appearing that the person named above has filed a petition

commencing a case under the Act on

was duly adjudged a bankrupt and that no complaint objecting to the discharge of the bankrupt was filed within the time fixed by the court *[or* that a complaint objecting to discharge of the bankrupt was filed and, after due notice and hearing, was not sustained]; it is ordered that

1. The above-named bankrupt is released from all dischargeable debts.

2. Any judgment heretofore or hereafter obtained in any court other than this court is null and void as a determination of the personal liability of the bankrupt with respect to any of the following:

(a) debts dischargeable under § 17a and b of the Bankruptcy Act;

(b) unless heretofore or hereafter determined by order of this court to be nondischargeable, debts alleged to be excepted from discharge under clauses (2) and (4) of § 17a of the Act;

(c) unless heretofore or hereafter determined by order of this court to be nondischargeable, debts alleged to be excepted from discharge under clause (8) of § 17a of the Act, except those debts on which there was an action pending on the date when the petition was filed as specified above in which a right to jury trial existed and a party has either made a timely demand therefor or has submitted to this court a signed statement of intention to make such a demand;

(d) debts determined by this court to be discharged under § 17c(3) of the Act.

3. All creditors whose debts are discharged by this order and all creditors whose judgments are declared null and void by paragraph 2 above are enjoined from instituting or continuing any action or employing any process to collect such debts as personal liabilities of the above-named bankrupt.

Dated:

____
Bankruptcy Judge

---

* *Including all names used by bankrupt within last 6 years.*

Appendix 18

Borrower Account Tracing Check Sheet

Date____________________

Borrower's Full Name____________________

Last Known Temporary Address____________________

Last Known Permanent Address____________________

Date items checked or rechecked

A. *Office:* Start on first indication that communications fail to reach borrower.

1. Was returned mail correctly addressed? (yes) (no) ____ ____
2. Check borrower's address with loan application, exit interview form, and previous correspondence. ____ ____
3. Did the Post Office furnish a new address? Any information? (yes) (no) ____ ____
4. Try phone number. If new number is furnished, ask Telephone Company Locator Service to give address. ____ ____
   a. Ask Telephone Company Information for number. ____ ____
   b. Try long distance person-to-person call. ____ ____
5. If co-endorser on note, bill him for payment and ask for borrower's address. ____ ____
6. Phone borrower's mother, father, relatives. ____ ____
7. If married, phone spouse's mother, father, relatives. ____ ____
8. Phone last-known employer. ____ ____
9. Send letters to all relatives, references, and employer (provide form for information desired and a stamped addressed return envelope.) ____ ____
10. Send letters to appropriate leads furnished on exit interview form. (Gas & Oil Credit Card—Charge-a-Plates—Insurance Companies, etc.) ____ ____

B. *Campus:*

1. Contact Dean's Office of college from which borrower graduated or withdrew. ____ ____
2. Registrar's Office: It is assumed transcripts and all college services were stopped when account became past due.
   a. Write parents or guardian shown on admission application. ____ ____
   b. Write references on admission application. ____ ____
   c. Write high school principal on admissions transcript. ____ ____
3. Contact Alumni Office. ____ ____
4. Contact Placement Office. ____ ____
5. Contact Major Department Head or Major Professor. ____ ____
6. Contact Dean of Men and Dean of Women. ____ ____
7. Contact Development Office. ____ ____
8. Contact Guidance or Counseling Office. ____ ____
9. Contact Chaplain's Office. ____ ____
10. Check College yearbook for activities.
    a. Contact advisors of appropriate clubs (music, dramatics, debate, press, letterman's, art, athletics, fraternities, sororities, etc.) ____ ____

C. *Off-Campus:*

1. Business.
   a. Contact Driver's License Agencies. ____ ____
   b. Contact Armed Services. ____ ____

	Date items checked or rechecked	
c. Merchants Retail Credit Association.		
d. Oil and Gasoline Credit Card Issuers.		
e. Charge-a-Plate Issuers at last known address.		
f. Local bank in home community.		
g. Professional and Graduate Schools.		
h. Contact institutions to which transcripts have been sent.		
i. Contact Internal Revenue Service District Office in State of last residence.		
2. Legal.		
a. Contact Chief of Police.		
b. Contact Sheriff's Office.		
c. Contact City Attorney or State Attorney General.		
D. *Professional Associations* (as appropriate):		
1. American Bar Association.		
2. American Medical Association.		
3. American Dental Association.		
4. State Licensing Bureaus.		
(1) Medical.		
(2) Dental.		
(3) Teaching.		
(4) Nursing.		
5. National and State Education Associations.		
6. American Institute of Public Accountants.		
7. National League of Nursing.		
8. Society of Architects.		
9. Labor Unions.		
10. Engineers Council.		
11. Pharmacists.		
E. *Miscellaneous:*		
1. When did borrower leave last address?		
2. Try leading stores or business in original hometown.		
3. Check with other possible creditors.		
4. Lodge, church, or social affiliations.		
5. Military reserve activity.		
6. Check litigation, prosecution and divorce records.		
7. If any real estate, check local Tax Assessor and Tax Collector.		
8. Check with previous employers.		
9. Check with hometown insurance agents.		
10. Check with hometown investigation agencies.		
11. Check family pastor.		
12. Check elementary school principal.		

IF NECESSARY, START FROM THE BEGINNING AND RE-EXAMINE ALL LEADS.

Appendix 19

Delinquency Report

NATIONAL DEFENSE STUDENT LOANS

The following figures represent a comparison of delinquent accounts on each of the dates shown:

							PERCENTAGES			
	LOANED		DUE		PAST DUE 30 DAYS OR MORE		PAST DUE TO TOTAL LOANS		PAST DUE TO LOANS DUE	
DATE	#	AMT.	#	AMT.	#	AMT.	#	AMT.	#	AMT.
9/30/75	33,278	29,054,618	24,141	11,540,797	3,290	785,273	9.886	2.703	13.628	6.804
10/31/75	34,306	29,445,755	24,073	11,593,409	3,589	776,051	10.462	2.636	14.909	6.694
11/30/75	34,613	29,556,261	24,603	11,680,927	3,342	737,286	9.097	2.495	13.584	6.312
12/31/75	34,660	29,642,064	24,515	12,171,015	2,913	776,275	8.405	2.619	11.883	6.378
1/31/76	34,824	30,514,711	24,665	12,138,965	3,566	810,646	10.240	2.657	14.458	6.678
2/28/76	34,885	30,606,149	25,674	12,264,607	3,246	767,931	9.305	2.509	12.643	6.261
3/31/76	34,942	30,701,479	26,607	12,578,160	2,858	811,557	8.179	2.643	10.742	6.452
4/30/76	34,998	31,587,925	26,528	12,666,985	3,288	830,404	9.398	2.629	12.395	6.556
5/31/76	35,005	31,614,300	26,543	13,022,696	3,109	805,104	8.882	2.547	11.713	6.182
6/30/76	35,176	31,951,275	26,322	13,732,542	2,921	883,390	8.304	2.765	11.097	6.433
7/31/76	35,165	31,961,345	26,249	13,819,080	4,572	1,054,966	13.002	3.301	17.418	7.634
8/31/76	35,152	31,962,465	26,960	14,013,524	4,168	1,009,618	11.852	3.159	15.460	7.205
9/30/76	35,372	32,096,205	26,919	14,391,882	3,714	1,073,622	10.500	3.345	13.797	7.460
10/31/76	36,859	32,536,191	26,891	14,445,781	4,334	1,097,724	11.758	3.374	16.117	7.599
11/30/76	37,073	32,642,126	27,497	14,596,270	3,876	1,027,151	10.455	3.147	14.096	7.037
12/31/76	37,096	32,689,666	27,475	14,979,782	3,589	1,108,211	9.675	3.390	13.063	7.398

NOTE:
1. The amount loaned is the cumulative amount loaned since the beginning of the program.
2. The amount due is the cumulative principal collected, cancelled, deferred, and past due.
3. The amount past due is the principal past due on the date shown.

2

National Defense/Direct Student Loans

Introduction

Authority

The National Defense/Direct Student Loan Program is administered by the Department of Health, Education, and Welfare, Office of Education, Bureau of Student Financial Assistance, Division of Student Financial Aid, Washington, D.C. 20202. The regulations for the National Direct Student Loan Program were authorized by Title IV, Part E of the Higher Education Act of 1965, as amended, and Title II of the National Defense Education Act of 1958. The National Direct Student Loan (NDSL) Program is and shall be deemed to be a continuation of the National Defense Student Loan Program which was authorized by Title II of the National Defense Education Act of 1958, except as otherwise provided by law and regulation. Appendix 18 (page 100) contains legislative changes that have affected the NDSL program.

Purpose

These funds were established by Congress to help students pursue their courses of study at their chosen institutions of higher education by providing long-term low-interest (3 percent) loans to qualified students in need of financial assistance. The goal is to assure that no student of ability will be denied an opportunity for higher education because of financial need. The fund is composed of 90 percent federal funds and 10 percent institutional funds. It is anticipated that these funds will become revolving funds being supported by repayments from former borrowers.

Loan Maximums

The statute governing the NDSL program does not restrict the amount which may be granted per academic year. However, the aggregate of all loans for all years from NDSL funds may not exceed:

1. $10,000 in the case of any graduate or professional student, including any loans from such funds made to such person before he or she became a graduate or professional student;
2. $5,000 in the case of a student who has successfully completed two academic years of a program of education leading to a bachelor's degree, but who has not completed the work necessary for such a degree, and including any loans from such funds made to that person before he or she became such a student; and
3. $2,500 in the case of any student who has not completed two academic years of a program of education leading to a bachelor's degree.

This, in effect, would allow a school to grant these maximums within the period of one academic year if the need could be documented.

Disbursement of the funds will be governed by the following:

1. A loan for an academic year shall be advanced by the institution to the student borrower in equal installments in each semester, trimester, or quarter if the institution uses such academic periods; otherwise, for those institutions not using such academic periods, advances shall be made at least twice per academic year with one advance being at the beginning and the other at the midpoint of that academic year.
2. A loan for a period shorter than an academic year shall be advanced by the institution to the student borrower in such installments as are deemed appropriate so as to enable the borrower to apply such payments to the costs reasonably necessary for his or her attendance at the institution during the academic period

for which the loan was approved; except that no borrower may receive, during a given academic period, a loan in an amount in excess of the amount of his or her need for such a loan during that period.

3. For purposes of this section a program of training of at least six months' duration to prepare students for gainful employment in a recognized occupation shall be considered an academic year.

4. Loan payments from this fund shall be evidenced in the institution's records by cancelled checks or vouchers or, if the institution elects any other method of disbursement, by a clear audit trail including an acknowledgement of receipt from each borrower indicating the method by which payments were made.

5. Loan payments from this fund shall not be made unless the borrower has filed with the institution the required affidavit and has complied with the Truth in Lending requirements of Regulation Z of the Consumer Credit Protection Act.

Eligibility

General——A student is eligible for a loan if such student:

1. Is a national of the United States, is in the United States for other than a temporary purpose and intends to become a permanent resident thereof, or is a permanent resident of the Trust Territory of the Pacific Islands;

2. Is in need of the amount of the loan to pursue a course of study at an eligible institution;

3. Is capable, in the opinion of the institution, of maintaining good standing in such course of study; *and*

4. Has been accepted for enrollment as at least a half-time undergraduate, graduate, or professional student in such institution or, in the case of a student already attending such institution, is in good standing and is enrolled as at least a half-time undergraduate, graduate, or professional student in such institution. In any case in which a student who has been

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determined to be eligible for a loan and thereafter fails to maintain good standing, the eligibility of such student shall be suspended, and no loan payments to, or on behalf of, such student shall be made until he or she regains good standing. No loan may be made to a student who owes a refund or is in default on other federal loans.

Special Sessions——A student enrolled in an institution of higher education in one or more classes during a period of special enrollment, such as a special summer term, will be eligible for a National Direct Student Loan if he or she:

1. Meets the other eligibility requirements of the regulations;
2. Is registered as at least a half-time student at that institution during such session; and
3. Is either in attendance as at least a half-time student at that institution during the regular term immediately preceding such session or will be enrolled or has been accepted for enrollment as at least a half-time student during the subsequent regular term at that institution.

Programs of Study Abroad——A student participating in a program of study abroad will be considered to be enrolled in his or her "home" institution if:

1. The program of study abroad is arranged or approved in advance by the home institution, and
2. The student's academic performance during the program of study abroad becomes a part of his or her permanent academic record at the home institution in the same manner as if performed at that institution.

Need——For purposes of determining "need," a student shall be considered in need if the cost of his or her education at the institution at which he or she is enrolled or accepted for enrollment exceeds his or her expected family contribution as determined pursuant to the NDSL regulations.

Religious Communities——A member of a religious community, society, or order who by direction of his or her community, society or order is pursuing a course of study in an institution of higher education or who receives support and maintenance from the community, society, or order shall be deemed *not* to have financial need.

Selection——Loans awarded shall be made reasonably available to all eligible student applicants except that *no loan may be made to any student who indicates an unwillingness to repay that loan.* In the event applications for loans exceed available funds, the order of selection shall be made on the basis of need. The institution shall establish procedures for selecting among eligible students and such procedures shall be:

1. Set forth in writing,
2. Available for public inspection, and
3. Maintained in the files of the institution's office which selects students as loan recipients.

Affidavit of Educational Purpose——No loan may be made unless the student to whom it is made has filed with the institution of higher education which he or she intends to attend, or is attending, an affidavit on a form approved by the Commissioner of Education stating that the money attributable to such loan will be used solely for expenses related to attendance or continued attendance at such institution. The student must sign the affidavit in the presence of a notary or other person who is legally authorized to administer oaths or affirmations and who does not take part in the recruiting of students for enrollment at such institution. The notary or other person must enter his or her signature and, as applicable, his or her seal or stamp on the affidavit form.

The Making of a Loan

Procedure

Proper administration of the NDSL fund hinges on a smooth articulation between component functions within the program. Loans applied for, when properly reviewed, approved, disbursed, recorded and maintained, are less likely to become "problem" collections in the future. As a first step in guaranteeing a smooth progression of administration in the program, it is essential that:

1. A well-defined division of responsibilities be made between institutional staff members responsible for granting the aid and those responsible for the fiscal management of the program;
2. These functioning parties coordinate their efforts so that procedures do not lapse;

3. All parties involved in administering different phases of the program be familiar with the *entire* program.

In small institutions, staffing requirements may be such that a perfect division among personnel is not possible, but a separation between authorizing and disbursing must always be maintained. Additionally, some internal controls for purposes of segregation of functions should be established. For purposes of this section on "the making of a loan," it will be assumed that there are two offices involved, although the same procedure could be used with two separate divisions within the same office.

1. The student completes an application and returns it to the Financial Aid Office.
2. The Financial Aid Office determines the students' need and prepares loan notes.
3. Loan notes are mailed to students for signatures of acceptance of loan terms.
4. The student returns the signed note to the Financial Aid Office.
5. The Financial Aid Officer signs the note as authority for the Business Office to disburse funds (or other safeguards to protect the integrity of the fund should be used).
6. The Business Office prepares a check for the amount of disbursement. Although it is not required by law, there is a definite advantage when it comes to collection if students have the feeling of actually receiving a check (loan) rather than having money credited (grant or scholarship) to their accounts. It is also advantageous to make the check payable to the student and the institution in order to assure that the student is enrolled for sufficient credits to qualify for the loan. If the student fails to qualify, the institution may refuse to cash the check and the loan can then be voided.

Pre-Loan Counseling

Sound collection procedures presuppose reasonable discretion in lending. Perhaps the most important factor in collecting loans is the borrowers' understanding that the money which they are receiving *is a loan which must be repaid*. No loans should be granted without this understanding and without the students' full awareness of their responsibilities. Some institutions are now using a "Statement of Rights and Responsibilities" form which clearly spells out the rights and obligations of the borrower. These forms require the signature of the student prior to the disbursing of the loan funds. Appendix 1 (see page 75) is a sample which could be adapted to any institution and any loan program. It is possible that this form would also satisfy the requirements of Truth in Lending. It *will* satisfy the requirements of providing each borrower with a full disclosure of his or her rights and obligations as stated in the due diligence requirements.

It is also recommended that borrowers complete an information sheet during the pre-loan counseling to provide sufficient information to locate them if they become "skips." If one waits until a borrower leaves school, borrowers who drop out and fail to have an exit interview will be missed. The following information, to be obtained from each borrower, will enable an institution to locate most "lost" accounts:

1. Borrower's name;
2. Borrower's local address;
3. Borrower's home address;
4. Borrower's home telephone number;
5. Borrower's birth date;
6. College and major;
7. Expected graduation date;
8. Social Security number;
9. Spouse's name;
10. Spouse's employment;
11. Borrower's drivers license number and state;
12. Borrower's part-time employer;
13. Class (Fresh., Soph., Jr., Sr., Grad.);
14. Parents' name;
15. Parents' address and telephone number;
16. Parents' employer's name;
17. Parents' employer's address;
18. Brothers and sisters over the age of 18, and the addresses of such; and
19. Borrower's insurance companies and addresses.

(See Appendix 2, page 76.)

The Promissory Note

The promissory note is the legal document which binds the borrower to the repayment obligation, the terms of the act, and the federal regulations and policies which govern the loan program. Therefore, each loan must be evidenced by a note which sets forth the legal conditions under which the loan is made. The note must be properly completed and adequately safeguarded. The particular method of insuring such protection is each school's responsibility, but the notes should be maintained in locked fireproof or fire resistant storage.

A promissory note acceptable to the Commissioner of Education is shown in Appendix 3 (page 77). Except for optional provisions permitted, as shown in the brackets, any substantive deviation from the provisions of this promissory note form must be approved by the Commissioner of Education prior to the making of any loans. A copy of the executed note shall be supplied to the borrower.

The note shown in Appendix 3 is a sample of an "open-end" note form. This style of note does not require the institution to execute a new promissory note each time a new loan is approved for a borrower. In other words, when the first loan is approved for a borrower, the same note can be used as long as the borrower continues to receive loans from the same institution and as long as the terms of the loan remain the same. This type of note is very useful when the Financial Aid Office also has the responsibility of disbursing the proceeds. In no instance should the same *person* authorize and disburse.

The promissory note shown in Appendix 4 (page 82) is a sample of a "limited" note form which provides for the specific amount of the approved loan to be entered on the face of the note. This note would be limited in its use to no longer than one fiscal year (usually one academic year). It is also an example of how the basic note may be rearranged without changing the content or the terms, as set forth in the NDSL requirements (November 24, 1976 *Federal Register*.) This type of note may be more useful to an institution which has a disbursing office separate from the Financial Aid Office. There is also a provision for the Financial Aid Officer's signature, needed by the disbursing office as a guarantee that the loan has been approved.

There are certain additional provisions which may be included in the terms of the note if the institution so chooses. It is recommended that these options (see below) be included even if the institution does not plan to enforce them, because if they are not included when the loan is negotiated they can never be used as a collection tool. The fact that they are included does not necessarily mean they must be enforced. These options are:

1. *Costs of Collection*——The note evidencing a loan may, at the option of the institution, provide that the borrower shall be liable for all attorneys' fees and other costs and charges necessary for the collection of any repayment installment not paid when due.

2. *Minimum Rates of Repayment*——Minimum payments cannot extend repayment beyond the maximum ten-year period permitted.

(A) Defense Loans. (i) If monthly repayment amounts of principal and interest which would otherwise be required on a Defense Loan are less than $15 a month (or the equivalent amount for loans repaid on a bi-monthly or quarterly basis) the institution may, at its option and if it has so provided in the note evidencing the loan, require a student borrower to make such payments of principal and interest at a monthly rate of not more than $15. (ii) If a borrower has obtained Defense Loans from more than one institution and if the monthly repayment amounts of principal and interest are less than the equivalent of $15 per month, and only one institution exercises the $15 minimum monthly repayment option, the institution which exercises the option shall receive the difference between $15 and the monthly repayment rate of principal and interest owed to the other institution. (iii) If a borrower has obtained Defense Loans from more than one institution and if the monthly repayment amounts of principal and interest are less than the equivalent of $15 per month and each of the institutions exercises the $15 minimum monthly repayment option, such $15 minimum repayment shall be divided among such institutions in proportion to the total amount of principal advanced by each of the institutions. However, the division of payments must ensure that both loans are repaid within the ten-year maximum periods.

(B) Direct Loans. (i) If monthly repayment amounts of principal and interest which would otherwise be required on a Direct Loan are less than $30 a month (or the equivalent amount for loans repaid on a bi-monthly or quarterly basis), the institution may, at its option and if it has so provided in the note evidencing the loan, require a student borrower to make such payments of principal and interest at a monthly rate of not more than $30. (ii) If a borrower has obtained Direct Loans from more than one institution and if the monthly repayment amounts of principal and

interest are less than the equivalent of $30 per month, and only one institution exercises the $30 minimum monthly repayment option, the institution which exercises the option shall receive the difference between $30 and the monthly repayment rate of principal and interest owed to the other institution. (iii) If a borrower has obtained Direct Loans from more than one institution and if the monthly repayment amounts of principal and interest are less than the equivalent of $30 per month and each of the institutions exercises the $30 minimum monthly repayment option, such $30 minimum repayment shall be divided among such institutions in proportion to the total amount of principal advanced by each of the institutions. (NOTE: If the borrower has received both a Defense and a Direct Loan, the following minimum rate of repayment will apply.)

a. If the sum of the monthly repayment amounts of principal and interest that a borrower would otherwise be required to repay on Defense and Direct Loans is at least $30 (or the equivalent amount for loans repaid on a bi-monthly or quarterly basis), the institution may not exercise the option provided in either promissory note to increase the minimum monthly repayment amount even though the amount to be repaid by the borrower on Defense Loans is less than the equivalent of $15 per month or the amount to be repaid on Direct Loans is less than the equivalent of $30 per month.

b. If the sum of the monthly repayment amounts of principal and interest that a borrower would otherwise be required to repay on Defense and Direct Loans is less than $30 (or the equivalent amount for loans repaid on a bi-monthly or quarterly basis), the institution may not exercise the option provided in either promissory note to increase the minimum monthly repayment amount of principal and interest in such a fashion as to require a monthly repayment greater than $30 (or the equivalent amount for loans paid on a bi-monthly or quarterly basis).

c. *If* (1) the sum of the monthly repayment amounts of principal and interest that a borrower would otherwise be required to repay on Defense and Direct Loans is less than $30 (or the equivalent amount for loans repaid on a bi-monthly or quarterly basis), (2) the amount otherwise required to be repaid on the Defense Loan is less than $15 per month (or the equivalent amount for loans repaid on a bi-monthly or quarterly basis), and (3) the institution exercises its option for a minimum monthly repayment under one or both loans, *then* no more than $15 (or the equivalent amount for loans paid on a bi-monthly or quarterly basis) may be attributed to the Defense Loan and that $15 may be attributed to the Defense Loan only if the institution exercises its minimum repayment option on the Defense Loan.

3. *Penalty Charges*——An institution may provide in the note evidencing a loan for the assessment of a charge for the failure of the borrower to pay all or any part of an installment when due, or to file timely and satisfactory evidence of an entitlement to deferment benefits or cancellation benefits. The amount of any such charge may not exceed:

A. In the case of a loan which is repayable in monthly installments, $1 for the first month or part thereof by which each such installment or evidence is late and $2 for each such month or part thereof thereafter; or,

B. In the case of a loan which is repayable in bi-monthly or quarterly installments $3 and $6 respectively for each such interval or part thereof by which each such installment or evidence is late and for each such bi-monthly or quarterly period or part thereafter.

The institution may elect to add the amount of any such penalty charge to the principal amount of the loan as of the first day after the day on which such installment or evidence was due, or to make the amount of the charge payable to the institution not later than the due date of the next installment after receipt by the borrower of notice of the assessment of the charge (see Appendix 5, page 83).

The following are three other provisions which are not "options" but which should be highlighted:

1. *Accelerated Repayment*——The note evidencing a loan shall provide that a borrower may, at his or her option and without penalty, accelerate repayment of the whole or any part of the loan at any time except that any refund attributable to a loan made under this part and any repayment made by the student during the academic year for which the loan was made shall be treated as a reduction in the original amount of the loan and not as a repayment.

Unless the borrower indicates otherwise, any amount paid by the borrower which exceeds the amount due for that period or any previous period shall be considered as a repayment of principal rather than an advance payment on any subsequent installment.

2. *Security and Endorsement*——The note evidencing a loan shall provide that the loan shall be made without security and without endorsement, except that security or endorsement may be required if the borrower is a minor and if under applicable state law a note executed by him or her would not create a binding obligation.

3. *Acceleration*——The note evidencing a loan shall provide that in the event of a failure by the borrower to make a scheduled repayment of any of the installments due on the note, the entire unpaid indebtedness, including interest due and accrued thereon and any penalty charges assessed pursuant to the section covering penalty charges, shall, at the option of the institution, become immediately due and payable.

Truth in Lending

The Truth in Lending provision of the Consumer Credit Protection Act requires institutions to make specific statements of disclosure regarding the finance charges on National Defense/Direct Student Loans. Effective July 1, 1969, such disclosures must be made (and signed by the borrower) each time a loan commitment is made and at the time a repayment schedule is executed. A copy of the disclosure must be provided to the borrower each time. Each institution should check with its attorney regarding compliance with the Truth in Lending requirements.

Should Appendix 1 not meet an institution's requirements for the initial disclosure, Appendix 6 (see page 84) may be used as a substitute. Appendix 7, page 85, is an example of the form which should be completed at the time the repayment schedule is signed.

In-School Servicing of the Accounts

Records Check

Once the borrower has obtained the loan, the institution must keep a record of the amount advanced, the amount paid or cancelled, and the balance outstanding. It is recommended that both an "In-School" and an "Out-of-School" journal be maintained for ease of operation. This will allow the institution to check the accounts in the in-school journal against the Registrar's records to determine which borrowers left the institution without an exit interview. If this match is made on at least a semi-annual basis, no borrower would have payments due before the institution has them set up in repayment.

Information Update

Many borrowers continue to receive loans as long as they remain in school. Each time they apply for a new loan, new or updated information should be obtained by having the borrower complete a new information sheet (see Appendix 2).

The Exit Interview

Purpose

Each institution shall, if possible, conduct an exit interview with each borrower prior to the time he or she leaves the institution to explain the borrower's rights and obligations regarding the loan. This exit interview shall be conducted on an individual basis, except that if individual interviews are not feasible institutions may conduct group exit interviews. Exit interviews may be conducted at a time other than when a student is under graduation pressures.

Responsibility

Each institution shall provide for the exchange of information among all appropriate institutional offices (e.g., the Registrar, Student Financial Aid, Business, and Alumni Offices) in order to determine (1) the approximate time a borrower will graduate in order that an exit interview may be conducted, or (2) whether a student has left school without proper notice so that it may mail required information to the borrower.

The exit interview should be conducted by the person at the institution who will have the responsibility for collection. This person must have full knowledge of the program requirements and benefits to assure that the borrower does not leave school with any doubt about what is expected.

Subject Matter to Cover

During the exit interview the institution shall provide the borrower with a detailed explanation of his or her obligations and rights, including:

1. Make sure the borrower fully understands the terms and conditions, and the fact that the loan must be repaid on a timely basis as called for in the repayment schedule.
2. Make the borrower understand that the collection staff must be informed of any change in name or address.
3. Obtain clear agreement on the amount borrowed, the interest rate, and the amount due for each installment. The notes should be available for inspection by the borrower in order to eliminate any questions. If the institution so chooses, and if it is included in the terms of the note, minimum payments will be $30.00 per month ($360.00 per year), but if this will impose a hardship on the borrower the payments may be less with the mutual consent of the institution and the borrower. The maximum length of repayment is ten years.
4. Arrange a repayment schedule and agree upon the date of the first payment. Have the borrower sign the repayment agreement and the Truth in Lending form and give the borrower a copy (see Appendix 7).

The borrower must be given the option to choose between at least one equal and one graduated periodic plan, if they so request, unless the institution has included the minimum repayment option and the loan would fall into that category. The institution also has the option of choosing the frequency of each payment (monthly, bi-monthly, quarterly) but it cannot be less frequent than quarterly and shall commence not later than nine months after the borrower ceases to be at least a half-time student. In choosing the frequency of repayment, the institution should carefully consider the problems of billing frequency. Even though cash inflow is enhanced by a monthly repayment plan, the institution may not be adequately equipped and prepared to operate on such a high-frequency billing cycle. Some institutions, by reason of choosing this billing option, are not able to adjust mailings of notices, bills, and payment schedule revisions on a basis timely enough to ensure that borrowers are billed *before* their payment due date. In these cases, consideration of another billing cycle, or a coupon system, is essential. In any event, the cycle should coincide with the institution's administrative capabilities.

5. Make the borrower aware of the importance of paying promptly or contacting the institution prior to the due date if payment cannot be made for any reason.
6. Cover the deferment, postponement, and cancellation provisions; acquaint the borrower with the required forms; and emphasize the responsibility that the borrower has to submit timely certification of such rights to deferment, postponement, or cancellation.
7. Direct the borrower's attention to the advantages of prepayments during the grace period. (These are not, and may not, be required.)
8. Cover the optional features which the institution has inserted in its note, including the minimum monthly repayment provision, total costs of collection chargeable to the borrower, and penalty charges for late payment.
9. Review skip-tracing information, or at least make sure that someone other than the borrower is listed with an address and telephone number.
10. Inform borrowers of the billing system to be used and assure them that statements will be sent or that coupon books will be provided.

Every effort should be taken to provide an "in person" exit interview. This would include "dropouts" as well as those who are graduating. If a borrower leaves the institution without an exit interview, the institution shall mail the borrower a copy of each note and two copies of the repayment schedule and shall request the borrower to sign and return one copy of the repayment schedule. This schedule shall then be made a part of the borrower's file.

The Billing Process

Due Diligence

Reasonable care and diligence must be exercised in the collection of National Defense/Direct Student Loans, not only with regard to borrowers, but with regard to endorsers whose signatures were obtained as security. This means that the institution must utilize collection practices no less extensive and forceful than those used on other loans of comparable size at the institution. Statements must be sent on a timely basis and the use of collection agencies, stronger collection activities by institutional staff, or litigation will be deemed necessary if the borrower fails to respond to requests for payment.

Response to written inquiries and other communications from the borrower and any proper endorser must be made on a timely basis. The lack of a timely response will give an indication to the borrower of a poorly run program and will foster delinquencies.

The acceptance by HEW of accounts which have been determined by the institution to be uncollectible will rest on whether or not the institution has exercised due diligence. It is therefore important to become familiar with Subpart C of the NDSL regulations which outline the requirements of "due diligence." Subpart C, "Loan Collection—Due Diligence," has been reproduced from the 1976 interim NDSL regulations and is contained in Appendix 8 (page 86).

Grace Period Notice

After borrowers leave school they are entitled to a grace period consisting of nine *consecutive* months. The grace period begins upon the borrower's ceasing to be at least a half-time student and expires when the borrower has been away from half-time studies for the allowable nine consecutive months. During this time, payment is not required and interest does not accrue on the loan.

The 1976 NDSL regulations require institutions to contact each borrower no less than three times during the borrower's nine-month grace period, as follows:

1. 90 days into the grace period the institution shall transmit to the borrower in writing such information as is necessary to satisfy Truth in Lending requirements, and it shall advise the borrower:

   A. Of the fact that he or she has received a loan which must be repaid on a timely basis as called for in the repayment schedule;

   B. Of his or her responsibility to inform the institution immediately of any change of address;

   C. Of the full amount of the loan, including the interest rate;

   D. Of the date and amount when the first payment becomes due;

   E. Of his or her responsibility to contact the institution prior to the due date of any installment if payment cannot be made for any reason;

   F. Of his or her rights to deferment, postponement, and/or cancellation, as well as the responsibility to submit timely certification of such right to the deferment, postponement, and/or cancellation;

   G. Of his or her right to accelerate loan repayments without penalty; and

   H. Of any optional features which the institution has inserted in its note, including the minimum monthly repayment provision, total costs of collection chargeable to the borrower, and penalty charges.

2. 180 days into the grace period the institution shall notify the borrower of the date of expiration of the borrower's grace period.

3. No less than 30 days preceding the due date of the first repayment installment the institution shall notify the borrower of the date when the first payment becomes due and the amount of principal and interest due at that time.

In addition to keeping borrowers well informed of their rights and responsibilities, these three notices provide the school with an opportunity to make sure the borrower's address is correct before the payments come due. If an institution finds that a borrower's address has changed, it should immediately implement procedures to find a correct address.

If a borrower attends a special session, such as a summer session, and has not been enrolled in the immediate preceding session or has not been accepted for enrollment as at least a half-time student during the subsequent regular session, such attendance does not constitute pursuance of an eligible course of study and does not interrupt the running of the grace period. However, except for special sessions, borrowers could attend, drop out, re-enroll, drop out, re-enroll, etc., and would not enter a repayment status until they had been away from at least half-time student status for nine consecutive months. An institution is prohibited from accumulating short periods of time while the borrower is away from school and considering the accumulated time as use of the grace period.

First Statement

Prompt billing, in a consistent manner and on a statement form providing sufficient information for the borrower to fully understand the status of the account, is probably the single most important factor in keeping accounts current. For the first payment, the regulations require an advance notice "no less than thirty days preceding the due date." For all other payments, a statement is required no fewer than ten days preceding the date the payment is due.

The statement form should have enough information to provide borrowers with a full accounting of the status of their accounts. It should also be designed to allow the borrower to keep the information portion but return the other half with payment. If a computer system is used, the statement can be more informative than is possible with a manual system; with more information provided, there is less chance for the borrower to write with questions.

If a window return envelope is used, a borrower is almost forced to return the institution's portion of the statement. This is important as a means of making sure the payment is credited to the proper account. A sample of a computer statement is shown as Appendix 9 (see page 89).

15 Days Past Due

When a payment is not received within 15 days of the due date, a telephoned or written demand to the borrower for payment must be made. If it is discovered that the borrower is experiencing temporary financial difficulties, the institution may wish to revise the repayment schedule as a means of effecting collection. By urging at least minimal payments, to be increased over the length of repayment, the institution may be able to avert a default.

Once an account becomes past due, the institution may wish to withhold all further services (transcripts, letters of recommendation, alumni materials, publications, placement information, etc.) until the account has been brought current or until satisfactory arrangements have been agreed upon. However, serious consideration should be given to releasing transcripts directly to a prospective employer, since a borrower may be hard-pressed to find the money to bring the account current without a job. It is advisable to consult with legal counsel prior to taking the above actions.

45 Days Past Due

The regulations require that two more such demands be made (spaced 30 days apart) if there is no response to the initial demand. The first would fall at 45 days (15 days past due plus 30 days). This contact may be in the form of a statement containing a message about the seriousness of the account (see Appendix 10, page 90) or it may be in the form of a letter. In either case, the borrower must be made aware that the institution plans to pursue collection through all available sources.

75 Days Past Due

If the loan becomes 75 days past due, a final notice should be sent to the borrower and the endorser. This final statement or letter must be stronger than the previous notices and should indicate to the borrower the action that will be taken if the borrower fails to respond.

90 Days and Beyond

The regulations do not specify a timetable beyond "fifteen days (plus) two more such demands spaced thirty days apart." Therefore, each institution must decide for itself the most appropriate time to proceed to the use of a collection agency, litigation, or more forceful collection activity at the institution. Some may wish to make a telephone call or use some other type of contact at 90 days. Others may prefer to wait until 105 days. Regardless of the timing, each institution should send a letter to past-due borrowers at no later than 120 days past due to inform them of the collection action which will be taken if the account is not brought current. Appendix 11 (page 91) is an example of a letter which might be used to inform a borrower of pending collection agency action. It is advisable to have this letter registered with a return receipt requested. The fact that the loan will be referred to a collection agency, or to an attorney, or to the institution's collection staff will, in many cases, prompt the borrower to respond. The borrower must be given sufficient time to respond to this final demand. However, once he or she has been informed of the action that will be taken, there should be no hesitation to take the necessary steps. Failure to act on demands will help neither the borrower, the institution nor the loan program.

Lost Borrowers

The continued mailing of a series of statements or letters to the same address when it is clear that the borrower (or endorser) no longer resides there is not due diligence. If the address is no longer known, which may be evidenced by the return of mail, performance of a thorough search of all reasonably accessible information which may lead to the borrower's current address will be required. This may include records checks in all appropriate institutional offices, checks of the telephone directory or information operator in the city or town of the borrower's last known address, and long distance telephone calls to the borrower if a phone number has been obtained.

If the institution is still unable to locate a borrower, it shall engage the services of a commercial skip-tracing organization or perform equivalent skip-tracing activities with its own personnel.

If the borrower's address is located, the institution shall immediately contact the borrower for the purpose of collecting amounts past due.

Past Due Lists

The NDSL regulations require the maintenance of a monthly list of payments in arrears with respect to loans not paid when due. The purpose of this list is to aid the collector in keeping track of past due accounts and to see that those accounts pass through an orderly system of due diligence.

Interruption of the Billing Process

Causes

The billing process may be interrupted if the borrower should qualify for cancellation, postponement, or deferment. Each of these are discussed below, but it should be pointed out that it is the borrower's responsibility to submit on a timely basis a request for deferment, postponement, or cancellation. Each request must be properly certified by a person with the authority to attest to the borrower's status.

Cancellations

The National Defense/Direct Student Loan Program provides cancellation for six reasons: teaching, Head Start staff, military, death, disability, and bankruptcy.

1. *Teaching Cancellation*——With respect to teaching, several terms or phrases need to be defined:

A. "Academic year or its equivalent" means (i) with respect to elementary and secondary school teachers and teachers of handicapped children in a public or nonprofit elementary or secondary school system, a school year or two complete and consecutive half years from different school years, excluding summer sessions, falling generally within a twelve-month period; and (ii) with respect to teachers in institutions of higher education, the equivalent of two semesters, two trimesters or three quarters generally falling within a twelve-month period.

B. "Elementary school" means a school which provides elementary education including education below grade 1, as determined under state law, or, if such a school is not in any state, as determined by the Commissioner of Education.

C. "Full-time teacher" means a person professionally employed on a full-time basis by, and to carry out the curriculum of, (i) an elementary school or secondary school, or (ii) several elementary or secondary schools within the same local school district or local educational agency, or (iii) a public or nonprofit private elementary or secondary school system with regard to the teaching of handicapped children, or (iv) an institution of higher education, or (v) a consortium of institutions of higher education. This term includes persons engaged in classroom instruction and persons otherwise engaged in a professional capacity in providing direct and personal services to students, which services have the objective of furthering the educational development of such students enrolled in such school(s) or institution(s).

This term, with respect to a teacher in an institution of higher education, does not include persons engaged in teaching any program of elementary or secondary education unless the program is specifically designed to prepare high school graduates for a program of postsecondary education.

D. "Handicapped children" means children who are mentally retarded, hard of hearing, deaf, speech-impaired, visually handicapped, seriously emotionally disturbed, or otherwise health-impaired, who by reason thereof require special education and related services.

E. "Local educational agency" means a public board of education or other public authority legally constituted within a state for either administrative control or direction of, or to perform a service function for, public elementary or secondary schools in a city, county, township, school district, or other political subdivision of a state, or such combination of school districts or counties as is recognized in a state as an administrative agency for its public elementary or secondary schools. Such terms also include any other public institution or agency having administrative control and direction of a public elementary or secondary school.

F. "Secondary school" means a school which provides secondary education as determined under state law, or if such school is not in any state, as determined by the Commissioner of Education, except that such education does not include any education provided beyond grade 12.

G. "State education agency" means the state board of education or other agency or officer primarily responsible in a state for the supervision of public elementary and secondary schools, or if there is no such officer or agency, an officer or agency designated by the Governor or by state law.

Certain provisions which applied to the National Defense Loan Program were eliminated with the 1972 amendments which created National Direct Loans. Therefore, the teacher cancellation provisions for the two types of loans are different. **The following provisions apply to Defense Loans:**

A. (i) Except as provided for in paragraphs (B) and (C) below, a borrower is entitled to have up to 50 percent of any loan plus the interest thereon cancelled for services as a full-time teacher in (a) a public or other nonprofit elementary or secondary school in a state, (b) an institution of higher education, or (c) an elementary or secondary school overseas of the Armed Forces of the United States.

(ii) These loans will be cancelled at the rate of 10 percent of the total amount of such loans plus the interest thereon for each complete academic year or its equivalent of such teaching services

B. (i) A borrower is entitled to have the entire amount of any loan plus the interest thereon cancelled for services as a full-time teacher in a public or other nonprofit elementary or secondary school, (a) which is in the school district of a local educational agency which is eligible in that year for assistance pursuant to Title I of the Elementary and Secondary Education Act of 1965, and (b) which for that year has been determined by the Commissioner of Education, after consultation with the state educational agency of the state in which the school is located, to be a school in which there is a high concentration of students from low-income families; however, that determination shall not be made with respect to more than 25 percent of the total of the public and other nonprofit elementary and secondary schools in any state for any one year unless all of the schools so determined are schools in which the enrollment of children described in section 103(c)(1)(A), (B), or (C), (formerly section 103(a)(2)(A), (B), or (C)) of Title I of the Elementary and Secondary Education Act of 1965, using a low-income factor of $3,000, exceeds 50 percent of the total enrollment of that school. For those purposes, "low-income families" are those families whose adjusted gross income is not more than $3,000.

(ii) These loans will be cancelled at the rate of 15 percent of the total amount of such loans plus the interest thereon for each complete academic year or its equivalent of teaching service.

(iii) The Commissioner of Education's determinations regarding the above will be based upon a ranking of such schools submitted by the state educational agency for the state in which the schools are located. Such schools shall be ranked on the basis of objective standards and methods approved by the Commissioner which take into account the numbers and percentages of students from low-income families in attendance in such schools. For each school year the Commissioner will make available to each institution of higher education participating in the program a list of schools which have been determined to be those with a high concentration of students from low-income families.

(iv) Cancellation is only available for teaching service commencing with the 1966–67 academic year.

C. (i) A borrower is entitled to have the entire amount of any loan plus the interest thereon cancelled for service as a full-time teacher of handicapped children in a public or other nonprofit elementary or secondary school system.

(ii) These loans will be cancelled at the rate of 15 percent of the total amount of such loans plus the interest thereon for each complete academic year or its equivalent of such teaching service.

(iii) Cancellation is only available for teaching service commencing with the 1967–68 academic year.

The following provisions apply to Direct Loans:

A. (i) A borrower is entitled to have the entire amount of any loan plus the interest thereon cancelled for services as a full-time teacher in a public or other nonprofit elementary or secondary school, (a) which is in the school district of a local educational agency which is eligible in such year for assistance pursuant to Title I of the Elementary and Secondary Education Act of 1965, and (b) which for that year has been determined by the Commissioner of Education, after consultation with the state educational agency of the state in which the school is located, to be a school in which the enrollment of children described in section 103(c)(1)(A), (B), or (C) [formerly section 103(a)(2)(A), (B), or (C)] of Title I of the Elementary and Secondary Education Act of 1965, using a low-income factor of $3,000, exceeds 30 percent of the total enrollment of that school, except that such determinations shall not be made with respect to more than 50 percent of the total number of schools in that state receiving assistance under such Title I.

(ii) If more than 50 percent of the schools in a state receive assistance under Title I of the Elementary and Secondary Education Act of 1965 and also satisfy the conditions concerning the enrollment of children, the Commissioner of Education will list schools for which cancellation is permitted from among those eligible schools based upon a ranking of such schools submitted by the state educational agency for the state in which the schools are located. Such schools shall be ranked on the basis of objective standards and methods approved by the Commissioner. With respect to each school year, the Commissioner will make available to each institution participating in the program a list of schools for which cancellation for teaching service is permitted.

B. A borrower is entitled to have his or her entire loan cancelled for service as a full-time teacher of handicapped children in a public or other nonprofit elementary or secondary school system.

C. Borrowers qualifying for cancellation under paragraphs (A) and (B) above will have their loans cancelled at the following rates: (i) 15 percent of the total amount of such loans plus the interest thereon for each of the first and second complete academic years or their equivalent of such teaching services, (ii) 20 percent of the total amount of such loans plus the interest thereon for each of the third and fourth complete academic years or their equivalent of such teaching service, and (iii) 30 percent of the total amount of such loans plus the interest thereon for the fifth complete academic year or its equivalent of such teaching service.

Between 1958 and 1972 several amendments were passed which affect cancellation eligibility. Listed below are the dates various cancellations **for National Defense Loans** became effective and the ending date if they have been eliminated:

(A) Loans awarded between 1958 and 6/30/72——Cancellation at 10 percent per year up to 50 percent of amount borrowed for teaching in public, elementary, or secondary schools.

(B) Loans awarded between 7/1/64 and 6/30/72——*First* year of coverage for teachers in an elementary or secondary school overseas of the Armed Forces of the United States at a rate of 10 percent per year to 50 percent maximum. *First* year of coverage for teachers in federal elementary and secondary schools such as schools operated by the Bureau of Indian Affairs of the Department of the Interior.

(C) Loans awarded between 7/1/65 and 6/30/72——*First* year of coverage for teachers in nonprofit elementary or secondary schools at a rate of 10 percent per year to 50 percent. *First* year of coverage for teachers in higher education at a rate of 10 percent per year to 50 percent. Loans granted in 1965 or later carry a possible cancellation of 10 percent per year up to 50 percent for pre-kindergarten teaching, but only in those states which consider such teaching a part of the elementary education.

(D) Loans awarded after 7/1/66——*First* year for teachers in both public and nonprofit elementary and secondary schools with a high concentration of students from low-income families at a rate of 15 percent to 100 percent.

(E) Loans awarded after 7/1/67——*First* year for teachers of the handicapped at a rate of 15 percent per year to 100 percent.

For **National Direct Loans**, effective June 30, 1972 the *first* year for new rates for teachers in low-income elementary and secondary schools and for teachers of the handicapped is as follows: first year, 15 percent; second year, 15 percent; third year, 20 percent; fourth year, 20 percent; fifth year, 30 percent.

If the borrower is receiving cancellation for teaching in a low-income school, the school must be listed in the *Federal Register*. Different criteria are used in selecting low-income schools between the National Defense Loan Program and the National Direct Loan Program. Therefore, the following codes are used in the *Federal Register:*

Code 1——Schools with an excess of 30 percent low-income enrollment *and* falling within the state's 25 percent allowance. Cancellation for *both National Defense and National Direct Loans.*

Code 2——Schools not exceeding 30 percent but falling within the 25 percent allowance. Cancellation for *National Defense Loans only.*

Code 3——Schools with an excess of 30 percent but not falling within the 25 percent allowance. Cancellation for *National Direct Loans only.*

Regardless of the type of teaching, a borrower will qualify for cancellation only if he or she is a full-time teacher for a complete academic year or its equivalent in a curricular or curricular supportive type job. It is the responsibility of the borrower to initiate a request for partial cancellation. Appendix 12 (see page 92) is a sample form for a Request for Partial Cancellation of Loan Due to Teaching Service. The borrower should complete Part I, have the form certified in Part II by an official in the school where the borrower taught, and then have the form returned to the lending institution for completion of Part III. This form should be completed in duplicate with a copy returned to the borrower upon completion by the institution.

2. *Head Start Cancellation——A.* A borrower whose loan was made under this part after June 30, 1972, is entitled to have the entire amount of any such loan plus the interest thereon cancelled for services as a full-time staff member in a preschool program carried out under section 222(a)(1) of the Economic Opportunity Act of 1964 (Head Start) if that program is operated for a period which is comparable to a full school year in the locality; provided, however, that the borrower's salary as a full-time staff member is not more than the salary of a comparable employee of the local education agency in the area served by the preschool program. Loans under this section will be cancelled at the rate of 15 percent of the total amount of such loans plus the interest thereon for each complete school year or its equivalent of such service.

B. For purposes of paragraph (a) above, "full-time staff member" means any person regularly employed in a professional capacity on a full-time basis in carrying out the educational component of a Head Start program.

Borrowers are to use the same form as is used by teachers in applying for cancellation credit.

3. *Military Cancellation*——A borrower is entitled to have up to 50 percent of any loan made under this part after April 13, 1970, but before July 1, 1972, plus the interest thereon cancelled for services after June 30, 1970 as a member of the Armed Forces of the United States.

Such loans will be cancelled at a rate of 12½ percent of the total amount of such loans plus the interest thereon for each year of consecutive service as a member of the Armed Forces.

A borrower is entitled to have up to 50 percent of any loan made under this part after June 30, 1972 plus the interest thereon cancelled for service as a member of the Armed Forces of the United States in an area that qualifies for special pay under section 310 of Title 37 of the United States Code.

Such loans will be cancelled at the rate of 12½ percent of the total amount of such loans plus the interest thereon for each year of qualifying service.

A borrower's entitlement to deferment of repayment shall be deemed to run concurrently with any periods during which the cancellation entitlement has been granted.

"Member of the Armed Forces of the United States" means an individual who is on full-time active duty in the United States Army, Navy, Air Force, Marine Corps, or Coast Guard.

To claim cancellation, the borrower must complete a "Request for Cancellation of Loan for Military Service" form and have it certified by the commanding officer before it is returned to the lending institution for processing (see Appendix 13, page 94).

4. *Death Cancellation*——Any loan made under this program and the interest thereon shall be cancelled upon the death of the borrower. A determination as to whether or not such cancellation is warranted shall be made by the institution to whose fund the borrower is indebted on the basis of a certificate of death or such other official proof as is conclusive under state law.

No federal reimbursement shall be made to an institution for cancellation of loans because of death.

5. *Disability Cancellation*——Any loan made under this program and the interest thereon shall be cancelled if the borrower becomes permanently and totally disabled after receiving his or her loan. A determination as to whether or not a borrower is entitled to such cancellation shall be made by the institution to whose fund the borrower is indebted on the basis of medical evidence supplied by the borrower or his or her representative, subject to the approval of the Commissioner of Education where such entitlement is found.

"Permanent and total disability" means the inability to engage in any gainful activity because of a medically determinable impairment, which impairment is expected to continue for a long and indefinite period of time, or to result in death.

No federal reimbursement shall be made to an institution for cancellation of loans because of disability.

6. *Bankruptcy Cancellation*——An institution shall refrain from collection activity with respect to a loan in the event the borrower is adjudicated a bankrupt and such loan has been discharged. However, no such loan shall be written off until an official notice of discharge has been received by the institution. Such notification must be maintained in the file of that borrower to support the write-off entry. If the institution receives any payment from a borrower subsequent to his or her adjudication as a bankrupt, it shall deposit such payment in its fund.

No federal reimbursement shall be made to an institution for cancellation of loans for bankruptcy.

The responsibility for determination as to whether or not a borrower is entitled to have any portion of his or her loan cancelled shall be made by the institution to whose fund such loan is payable, upon receipt and approval of an application for cancellation from such student, to be provided in a form specified by such institution.

For teachers, a certification by an official in the school system is needed (Appendix 12); for military service, a certification by the commanding officer is needed (Appendix 13); for death, a copy of the death certificate is needed; for disability, needed are not only statements from all doctors, hospitals, or agencies concerned with the case, but also the recommendation of the lending institution and approval from the Office of Education; and, for bankruptcies, the official notice of discharge from the bankruptcy court is needed.

The cancellation provision is not retroactive. No portion of any loan shall be cancelled for services performed by a borrower prior to the date of execution of his or her loan note.

The regulations also provide that nothing shall be construed to authorize the refund of any repayment of a loan, except that, where an overpayment is made by a borrower as a result of an institutional error, a refund will be allowed. This implies that an institution will keep a borrower informed of any added benefits, such as cancellation provisions. If the borrower then fails to take advantage of his or her entitlement and makes payment instead, the institution does not have to make refund in order to grant cancellation.

Institutions will be reimbursed by the Commissioner of Education of amounts cancelled, as follows:

1. With repect to loans made prior to July 1, 1972, the Commissioner will pay to each institution for each fiscal year an amount which bears the same ratio to the interest which has been prevented from accruing and the portion of the principal which has been cancelled on student loans as the total amount of the insti-

tution's capital contributions to its fund bears to the sum of the institution's capital contributions and the federal capital contributions to such fund.

2. With respect to loans made after June 30, 1972, the Commissioner will pay to each institution, for deposit into its fund, for each fiscal year an amount equal to the amount of principal and interest thereon which has been cancelled from its student loan fund for such year.

Institutions are to be guided by the following in the treatment of loan repayments where cancellation, loan repayments, and minimum monthly repayments apply:

1. If (A) a borrower has received Defense Loans or Direct Loans or both, and the notes evidencing such loans include a minimum monthly repayment provision, (B) the institution postpones the borrower's loan repayments under one or both loans and (C) the borrower receives a partial cancellation on one or both of such loans for that period, the institution may not exercise the minimum monthly repayment provision in the note or notes which are subject to partial cancellation for the period covered by the postponement.

2. If a borrower has received both Defense and Direct Loans and is eligible to have only one of those loans cancelled, the amount due on the loan not being cancelled shall be at the rate established.

Postponements

An institution shall postpone loan repayments for up to a twelve-month period and the loan shall be considered current, if the borrower:

1. Will be teaching or providing other services which would enable him or her to have a portion of the loan cancelled; and

2. Has submitted a statement signed by a responsible official of the military, agency, school or institution employing the borrower stating that the borrower will be so employed. Such a statement should include the borrower's job description, the period of employment, and the full-time or part-time nature of the employment.

If a borrower has received both Defense Loans and Direct Loans and he or she is eligible for cancellation benefits on only one of those loans, only the loan repayments due on the loan for which cancellation is available may be postponed.

The NDSL regulations address the use of postponements only in regard to anticipated cancellations. However, postponements work equally well in regard to anticipated deferments. A borrower is not required to make payment if he or she is enrolled as at least a half-time student, or if he or she is in military service, Peace Corps, or VISTA. Rather than require a deferment form monthly, bimonthly, or quarterly, granting postponement to the end of a period of time becomes a time-saver to the institution and eliminates an irritation to the borrower. Postponements for deferred status work the same as for teaching status (see Appendix 14, page 95).

Deferments

Deferments in repayment are granted for certain types of activity by the borrower. During deferments, installments of principal need not be paid and interest shall not accrue, except for hardship deferment wherein interest accrues. In addition, the regulations state: "No loan currently in deferred status is considered past due, even if it was past due before the beginning of the deferment period." Deferments are granted during any period, as follows:

1. *Student Status*——when the borrower is carrying, at an institution of higher education or at a comparable institution outside the United States approved for this purpose by the Commissioner of Education, at least one-half the normal full-time academic workload as determined by the institution (see (6) below);

2. *Military*——not in excess of three years during which the borrower is a member of the Armed Forces of the United States;

3. *Peace Corps*——not in excess of three years during which the borrower is in service as a volunteer under the Peace Corps Act; or,

4. *VISTA*——not in excess of three years during which the borrower is a VISTA volunteer under Title I—Part A of the Domestic Service Act of 1973 P. L. 93–113 (formerly Title VIII of the Economic Opportunity Act of 1964).

The maximum ten-year repayment period may be extended by the length of these four types of deferments (see Appendix 15, page 96).

5. *Extraordinary Circumstance*——There is an additional deferment allowed, which may be granted at the discretion of the institution, which is called an "Extraordinary Circumstance" deferment. This has also been referred to as a "good cause" or "hardship" deferment.

If a student who has borrowed from a fund is unable, due to extraordinary circumstances such as prolonged illness or unemployment, to make a payment when due in accordance with his or her repayment plan, the borrower may apply to the institution to whose fund he or she is indebted for revision of the schedule of repayment. The institution may then revise the borrower's repayment plan, except that where the action taken by the institution would involve an extension of the repayment period beyond ten years, such action must first be approved by the Commissioner of Education. Interest, however, shall continue to accrue.

If an institution elects the minimum monthly repayment rate, and the borrower is unable due to extraordinary circumstances such as prolonged illness or unemployment to make a payment when due, the institution may, upon application of the borrower, defer the borrower's repayments or revise his or her repayment schedule for a period of not more than one year. If at the end of such a period the borrower is still unable to repay the loan at the rate of $30 per month, the institution may, upon reevaluation of the borrower's financial situation, defer or revise the borrower's repayment schedule for another period of not more than one year. Interest, however, continues to accrue.

If the institution elects to grant such relief, it may do so only as long as the total repayment period remains within the maximum ten years allowed by the program. When the borrower indicates the need for a hardship deferment, the institution must make the determination based on fact. Appendix 16 (page 98) is a sample form which can be used by any institution as an aid in deciding the merits of the request.

Appendix 17 (page 99) is a form letter which can then be used in informing the borrower of the institution's decision.

6. *Less than Half-time Attendance*——For Defense Loans, the institution may provide that installments need not be paid during any period or periods, aggregating not in excess of three years, during which the borrower is enrolled and in attendance as less than a half-time student at an institution of higher education taking courses which may be applied toward a degree. The institution may also provide that any such period will not be included in determining the ten-year period during which the repayment must be completed, but interest shall continue to accrue during any such period.

Institutions must remember that deferments are granted on those payments which come due while the borrower is in a deferred status. Therefore, those deferments with a limitation as to the length of time allowed (e.g., military service, Peace Corps, VISTA), should not begin until payments are due. For example, if a borrower leaves school in June 1975, the first payment is due June 1, 1976, and the borrower enters military service in June 1975, then the three-year limitation for military service would begin with the June 1976 payment and would end in June 1979. It should be remembered that grace periods and deferments run concurrently under the NDSL program.

It is the responsibility of the borrower seeking deferment of repayment of a loan to assure that the properly executed form is forwarded to the institution from which the loan was made at each of the following times: (1) when the first repayment installment is due; (2) annually thereafter as long as deferment status is claimed; and (3) upon termination of deferment status.

The Collection Process

Hard-Core Accounts

If the institution is not able to make satisfactory arrangements or to obtain payment from the borrower, it shall utilize the services of a collection agency, perform additional collection activities with its own personnel, or resort to litigation. Litigation will be discussed in the next section, and should be the last resort after all other attempts at collection have failed.

At approximately 120 days past due, the institution should have notified the borrower of pending collection action as described in the section on billing, "90 Days and Beyond" (page 64). A borrower should be given sufficient time to respond; a normal time limit is 15 days.

If the borrower responds by making payment, the collection efforts were successful and the collector can move on to other accounts. If partial payment is made by the borrower, the collector's job is only partially completed and constant and regular follow-up must be maintained to keep payments coming. If the borrower responds by sending a letter explaining why payment has not been made, then the collector, based on the contents of the letter, must decide on the appropriate action to be taken. This action could consist of rewriting the repayment schedule to fit the borrower's ability to pay; agreeing to monthly payments which will bring the past due amount current; or, deciding that the borrower is able to pay but will not. If the borrower does not respond, or if it appears that he or she could pay but will not, it would be cause for the institution to initiate stronger collection activities or resort to litigation.

The terms contained in the promissory note allow institutions to make the entire unpaid indebtedness, including interest due and accrued thereon, become immediately due and payable if they so choose. When an account reaches this point, serious consideration should be given to making the full amount due.

Collection Agencies

If a collection agency is used, its services must be limited solely to the performance of ministerial acts. The institution must remain responsible for the actions taken by the agency and should, therefore, choose an agency with care. In most cases, agencies will contract to work on a contingency basis of one-third of the amount of the principal and interest collected; some will do so for less. Fees must be contingent upon collection regardless of whether the agency charges a flat fee or a percentage fee. The institution should not contract to make payment on accounts not collected. If the agency works on a percentage basis, it would be wise to refer only the past due amount the first time. Many borrowers will respond in a prompt manner to future billings when they find the institution is serious about collection. If it becomes necessary to refer the account to an agency a second time, the full remaining balance should be referred.

Collection agencies must be bonded in an amount sufficient to cover those particular assets of the fund which are under the control of the agency at any particular time.

The school must maintain records of the status of the accounts and, if it appears no effective action is being taken, it should consider placing the account with another agency. It would be reasonable to expect an agency to report the status of each individual account on a quarterly basis. If collection has not been accomplished within six months and the agency cannot justify the lack of action, that particular account should be referred to another agency. Many second placements are collected.

It is recommended that each institution employ the services of more than one agency. Competition is important, and it gives the institution a basis for comparing performance. Effective agencies should be able to perform with about the same percentage of recovery. If one agency consistently performs below the average, its accounts should be turned over to another agency. When referring accounts, as much information as possible should be provided to the agency.

Litigation

When to Litigate

Enforcing payment of a National Defense/Direct Student Loan by legally proceeding against the borrower or endorser (if any) is always a matter of last resort to be used after all other attempts at negotiation have failed. If enforced action appears necessary, the fiscal officer, under his or her responsibility to the student loan fund, should not hesitate to take the necessary steps. To delay action which is inevitable does not help the borrower, the endorser (if any), nor the student loan fund.

Some institutions are reluctant to institute legal action because such action frequently results in an uncollectible judgment. Such a conclusion appears questionable when viewed in terms of potential earnings, inheritance, and accumulation of possessions by the borrower. Although a judgment debtor may have no real or personal property at the time of the legal proceedings that may be seized on execution and sold to satisfy the judgment, the law is such that procuring a judgment has a salutary effect on most individuals whose payments are substantially overdue. Judgments are good for ten years in most states and can be renewed.

The costs in most cases are minimal and in many cases result in repayment of the loan.

The statutory provision allowing expenditures from the National Defense/Direct Loan Fund for costs of litigation implies that schools may proceed with litigation, when necessary, in the collection of loans. After exhausting all other possibilities, the account should be transferred officially to an attorney for this purpose.

Who Shall Represent the Institution?

Jurisdictional problems confront schools when borrowers leave the school and establish residence in a state other than the one in which the loan was made. In some of these situations the institution's attorney is without power in a state in which he or she does not hold membership in the state Bar Association. When legal action becomes necessary to collect the loan, special procedures must be followed. Customarily, the institution's attorney, through the Bar Association, arranges to have a corresponding attorney handle the case.

An alternate procedure in such cases is to utilize the services of an established, reputable, credit and collection organization known to use accepted ethical business practices. With approval of the school, a credit and collection organization may refer delinquent accounts to an attorney for litigation. The loan fund may be charged for legal fees arising in connection with collection of these accounts.

Attorneys are required to abide by the standards of the local Bar Association and to limit fees to the established local schedule.

Normally the institution would use the same agency to arrange for legal action as has been used for delinquent collections. If this is the case, the full amount of the outstanding loan should be made due and payable in order to eliminate the need for further legal action.

Compromising an Account

In some cases an attorney may feel that the out-of-court settlement of a debt for an amount less than the borrower owes is advisable. In such cases the burden of making a decision as to whether and to what extent a claim should be compromised rests with the lending institution. It would be appropriate to compromise the debt only after giving careful consideration to the matter on the basis of such factors as the following: possible legal defenses the debtor may have; the cost of litigation in relation to the size of the claim and the likelihood of satisfying a judgment once obtained; the debtor's present financial situation and his or her future monetary prospects (e.g., a debtor may have a low-paying job with poor prospects, a large family to support or be in poor health); and the physical locale of the debtor in relation to the institution, making dealings and legal action more difficult (e.g., he or she may travel extensively or reside outside the country). The records of the institution must reflect the basis for doing so in each case where a claim is compromised.

Miscellaneous

Billing Services

Many institutions find it to be advantageous to use a billing service, eliminating the need to staff a collections office and usually providing for a better and more consistent system of follow-up. Each institution needs to carefully consider its needs and then make its decision based on service, cost, reports provided, and promptness of returning to the institution the money collected from the borrowers. The 1976 NDSL amendments address three issues regarding the use of billing services:

1. If an institution utilizes a billing service in carrying out its functions, the function of such service must be limited solely to the performance of ministerial acts. The ultimate responsibility of the institution to make determinations relative to the making and collection of loans and decisions relative to cancellation and deferment of loans cannot be delegated.

2. If a billing service is used, it may not deduct its fee from the funds it receives from borrowers.

3. If an institution uses a commercial billing service, it may not utilize a collection agency which owns or controls, or is owned or controlled by, the billing service or which is owned and controlled by a corporation, partnership, association or individual which also owns or controls the billing service.

Administrative Costs

All costs incurred by the institution in billing or using a billing service, except for the costs of long-distance telephone calls made in attempts to collect and the costs of skip-tracing, shall be considered routine administrative expenses which may not be charged to the fund as other collection costs. Prior to the passage of the 1976 amendments, the administrative allowance was limited to 3 percent of the principal amount of loans made during the fiscal year, except that the aggregate amount paid to an institution plus the amount paid to such institution in lieu of expenses for administration under the College Work-Study and the Supplemental Educational Opportunity Grant Programs could not exceed $125,000 for any fiscal year. The 1976 amendments increased this to 4 percent with a maximum of $325,000 for the three programs. However, institutions will be required to provide financial information to students, including:

1. The student financial assistance programs available to students who enroll at such institution;

2. The method by which such assistance is distributed among student recipients who enroll at such institution;

3. Any means, including forms, by which application for student financial assistance is made and requirements for accurately preparing such applications and the review standards employed to make awards for student financial assistance;

4. The rights and responsibilities of students receiving financial assistance;

5. The cost of attending the institution, including (A) tuition and fees, (B) books and supplies, (C) estimates of typical student room and board costs or typical community costs, and (D) any additional costs of the program in which the student is enrolled or expresses a specific interest;

6. The refund policy of the institution for the return of unearned tuition and fees or other refundable portions of cost, as described in (5) above;

7. The academic program of the institution including (A) the current degree programs and other educational and training programs, (B) the instructional, laboratory, and other physical plant facilities which relate to the academic program, (C) the faculty and other instructional personnel, and (D) data regarding student retention at the institution and, when available, the number and percentage of students completing the programs in which the student is enrolled or expresses interest; and

8. Each person designated to provide information and the methods by which, and locations in which, any person so designated may be contacted by students and prospective students who are seeking information required by the regulations.

Other Collection Costs

Reasonable costs incurred in carrying out activities related to collections and litigation and the costs of long-distance telephone calls shall be considered "other collection costs" and may be charged to the fund, except that any collection costs paid by the borrower may not be charged to the fund. For audit purposes, such costs must be supported by appropriate financial statements (e.g., telephone bills and collection agency bills). The statement of the collection agency shall indicate specific amounts collected and charges retained.

If an institution elects to perform its own collections rather than use a collection agency, its actual costs of collection may be considered an "other collection cost" and charged to the fund, so long as such costs do not exceed the costs that would have been permitted if the institution had used a commercial collection agency.

Reasonable litigation costs may also be charged to the fund.

Delinquency Rate

The 1976 regulations set an application criterion for determining the delinquency rate. At the present time, the term "delinquency rate" means the amount of principal "in default" but not "uncollectible" divided by the amount of principal paid, cancelled, or past due, but not "uncollectible." No loan currently in deferred status is considered past due, even if it was past due before the beginning of the deferment period.

A formula presently used internally by the Office of Education is:

> amount of loan principal in default but not uncollectible (120 days past due on monthly—180 days on all other)
>
> divided by
>
> Principal paid, cancelled, or past due but not uncollectible

Uncollectible loans are those on which the institution has performed due diligence and which have been in default for at least two years.

Appendix 1

Statement of Rights and Responsibilities

A National Direct Student Loan is a serious legal obligation. Therefore, it is extremely important that you understand your rights and responsibilities. When you, the student borrower, sign this statement it means that you do understand your responsibilities, and you agree to honor them.

1. I understand that I must, without exception, report any of the following changes to ______________ (name, address, phone number of school's collection office) ______________.
   - (a) If I withdraw from school.
   - (b) If I transfer to another school.
   - (c) If I drop below half-time status.
   - (d) If my name should change (for example, because of marriage).
   - (e) If my address, or my parents' address changes.
   - (f) If I join the military service, Peace Corps, or VISTA.
2. I understand that when I graduate or withdraw from ______ (name of school) ______ I must arrange for an exit interview by calling ______ (phone number) ______.
3. I understand that my first quarterly payment will be due twelve months from the time I cease to be at least a half-time student.
4. I understand that my minimum quarterly payment will be at least $90.00. It may be more if the amount borrowed is sufficient to require larger payments.
5. I understand that the ANNUAL PERCENTAGE RATE of 3% will be the FINANCE CHARGE based on the unpaid balance and that it will begin to accrue nine months after I cease to be enrolled as at least a half-time student.
6. I understand that cancellation will be granted for certain types of elementary or secondary school teaching; for military service in areas of hostilities; for full-time staff members in Head Start; and in the event of death or permanent disability. I also accept the responsibility to inform the school of such status.
7. I understand that if I enter the military service, Peace Corps, or VISTA, or return to at least half-time study at an institution of higher education, I may request that the payments on my National Direct Loan be deferred.
8. I understand that if I fail to repay any loan as agreed, the total loan may become due and payable immediately and legal action could be taken against me.
9. I understand that I will promptly answer any communication from ______ (name of school) ______ regarding the loan.
10. I understand I may prepay at anytime. I further understand that future interest will be reduced by making such payments.
11. I understand that if I cannot make payment on time, I must contact ______ (name of school) ______ to make arrangements.
12. I authorize ______ (name of school) ______ to contact any school which I may attend, to obtain information concerning my student status, my year of study, my dates of attendance, graduation, or withdrawal, my transfer to another school, or my current address.

* *

I ATTEST THAT I HAVE READ AND UNDERSTAND THE RESPONSIBILITIES AND OPTIONS AVAILABLE TO ME, AND THAT I WILL ADHERE TO THEM.

______________________ Date

______________________ Signature of Student

______________________ Signature of Lending Institution Representative

White—Lender Copy
Green—Student Copy

Appendix 2

Statement of Rights and Responsibilities

To be completed by the student: Date ____________
(PLEASE PRINT)

NAME ____________ ____________ ____________ STUDENT NUMBER ____________
(Last) (First) (Middle Initial)

LOCAL ADDRESS: *PERMANENT ADDRESS:*

STREET (inc. Apt. #) ____________ STREET (inc. Apt. #) ____________

CITY ____________ CITY ____________

STATE ____________ ZIP ______ STATE ____________ ZIP ______

TELEPHONE NO. ____________ TELEPHONE NO. ____________
(area code)

Birth Date ____________ Social Security Number ____________

Driver's License Number ____________ State ____________

Your Part-time Job (Company Name) ____________

College ____________ Major ____________

CLASS: Fresh. ____ Soph. ____ Jr. ____ Sr. ____ Grad. ____ Exp. Graduation Date ____________

Spouse's Name ____________ Spouse's Employment ____________

PARENT OR GUARDIAN:

Name ____________ ____________ ____________
(First) (Initial) (Last)

Street (inc. Apt. #) ____________ Telephone ____________
(area code)

City ____________ State ____________ Zip Code ______

Parent's Employer's Name ____________

Employer's Business Address ____________ ____________
(City) (State)

Brothers and Sisters over 18 not living at home, (List married name of sisters, for example: Mrs. Robert R. Anderson.)

Name ____________ Address ____________

Name ____________ Address ____________

PERSONAL REFERENCES:

Name ____________ Address ____________

Name ____________ Address ____________

INSURANCE COMPANY OR AGENT:

Automobile ____________ Address ____________

Life ____________ Address ____________

THIS FORM MUST BE COMPLETED BEFORE FINANCIAL AID CAN BE ISSUED.

Appendix 3

Promissory Note

National Direct Student Loan Program

Bracketed clause may be included at option of institution.

I, ______________________________ promise to pay to ______________________________, hereinafter called the Lending Institution located at ______________________, the sum of such amounts as may from time to time be advanced to me and endorsed in the Schedule of Advances set forth below [together with all attorney's fees and other costs and charges necessary for the collection of any amount not paid when due].

I further understand and agree that:

GENERAL

I. All sums advanced pursuant to this note are drawn from a fund created under Part E of Title IV of the Higher Education Act of 1965, hereinafter called the Act, and are subject to the Act and the Federal Regulations promulgated pursuant to the Act. The terms of this note shall be construed in accordance with the Act and Federal Regulations, copies of which shall be kept by the Lending Institution.

REPAYMENT

II. (1) Interest shall accrue from the beginning of the repayment period and shall be at the rate of 3 per centum on the unpaid balance except that no interest shall accrue during any period described in paragraph III (3).

Bracketed clause shall be included if the institution uses Paragraph I (3)

(2) [Except as provided in paragraph II (3)] Repayment of principal, together with interest thereon, shall be made over a period beginning 9 months after the date on which I cease to be at least a half-time student at an institution of higher education or at a comparable institution outside the United States approved for this purpose by the United States Commissioner of Education, and ending, unless paragraph III (3) applied, 10 years and 9 months after that date. I may however request that the payment period start on an earlier date. I shall repay the principal and interest over the course of the repayment period in equal monthly, bimonthly or quarterly installments, as determined by the Lending Institution, except that, if I request, such payments shall be made in graduated installments determined in accordance with such schedules as may be approved by the Lending Institution and the Commissioner. In either case, a schedule of repayment shall be attached to and made part of this note.

Bracketed paragraph may be included at option of institution

[(3) If the repayment schedule that would otherwise be established in accordance with paragraph II (2) would provide for payments of principal and interest at a rate of less than $30 per month, I shall repay the total amount of this loan plus the interest thereon at the rate of $30 per month, which shall include repayment of principal and interest. In the event I receive or have received National Direct or Defense Student Loans from other lending institutions, I shall repay this note at a monthly rate equal to not less than the amount by which $30 exceeds the total monthly rate of principal and interest repaid on the other loans. A schedule of repayment shall be attached to and made part of this note. The Lending Institution may permit me to pay less than the rate of $30 per month for a period of not more than one year where necessary to avoid hardship to me unless such an action would extend the repayment period in paragraph 2 of this article.]

III. This note is also subject to the following conditions:

PREPAYMENT

(1) I may at my option and without penalty prepay all or any part of the principal, plus the accrued interest thereon, at any time.

DEFAULT

(2) If I fail to meet a scheduled repayment of any of the installments due on this note, the entire unpaid indebtedness including interest due and accrued thereon, shall, at the option of the Lending Institution, become immediately due and payable.

DEFERMENT

(3) Interest shall not accrue, and installments need not be paid (A) while I am enrolled and in attendance as at least a half-time student at an institution of higher education or at a comparable institution outside the United States approved for this purpose by the Commissioner, or (B) for a period not in excess of 3 years during which I am (i) on full-time active duty as a member of the Armed Forces of the United States (Army, Navy, Air Force, Marine Corps, or Coast Guard), (ii) in service as a volunteer under the Peace Corps Act, or (iii) a VISTA volunteer under Title I—Part A of the Domestic Service Act of 1973, P.L. 93–113, (Formerly Title VIII of the Economic Opportunity Act of 1964).

The Lending Institution may, upon my application, defer or reduce any scheduled repayments if, in the view of the Lending Institution, extraordinary circumstances such as prolonged illness or unemployment, prevent me from making such payments. However, interest shall continue to accrue.

CANCELLATION FOR TEACHING

(4) I am entitled to have the entire amount of this loan plus the interest thereon cancelled if I undertake service (A) as a full-time teacher in a public or other nonprofit elementary or secondary school which is in a school district of a local educational agency which is eligible for assistance pursuant to Title I of the Elementary and Secondary Education Act of 1965 and which for

the purposes of this clause has been designated by the Commissioner in accordance with the provisions of Section 465 (a) (2) of the Higher Education Act as a school with a high enrollment of students from low-income families, or (B) as a full-time teacher of handicapped children (including mentally retarded, hard of hearing, deaf, speech impaired, visually handicapped, seriously emotionally disturbed, or other health-impaired children who by reason thereof require special education) in a public or other nonprofit elementary or secondary school system.

This loan shall be cancelled for teaching service in accordance with the following rates: 15 per centum of the total principal amount of the loan plus interest thereon shall be cancelled for the first and second complete academic years of teaching service; 20 per centum of the total principal amount plus interest thereon for the third and fourth complete academic years of such service; and 30 per centum of the total principal amount plus interest thereon for the fifth complete academic year of such service.

HEAD START CANCELLATION

(5) I am entitled to have the entire amount of this loan plus the interest thereon cancelled if I undertake service as a full-time staff member in a preschool program carried on under Section 222 (a) (1) of the Economic Opportunity Act of 1964 (Head Start) at the rate of 15 per centum of the total principal amount of the loan plus interest thereon for each complete school year or its equivalent of such service, if that Head Start program is operated for a period which is comparable to a full school year in the locality, and if the salary of such staff member is not more than the salary of a comparable employee of the local educational agency.

MILITARY CANCELLATION

(6) If I serve as a member of the Armed Forces of the United States, up to 50 per centum of the principal amount of this loan plus the interest thereon shall be cancelled at the rate of 12½ per centum of the total principal amount of the loan plus interest thereon for each complete year of service in an area of hostilities that qualifies for special pay under Section 310 of Title 37 of the United States Code.

DEATH AND DISABILITY CANCELLATION

(7) If I should die or become permanently and totally disabled, the entire amount of this loan plus the interest thereon shall be cancelled.

ADDRESS CHANGE

(8) I am responsible for informing the Lending Institution of any change or changes in my address.

PENALTY CHARGE

Bracketed clause may be included at option of institution

[(9) If I fail to make timely payment of all or any part of a scheduled installment, or if I am eligible for deferment or cancellation of payment (pursuant to paragraphs III (3), (4), (5), or (6), but fail to submit timely and satisfactory evidence thereof, I promise to pay the charge assessed against me by the Lending Institution. No charge may exceed (1) where the loan is repayable in monthly installments, $1 for the first month or part of a month by which such installment or evidence is late, and $2 for each month or part of a month thereafter; or (2) in the case of a loan which is repayable in bimonthly or quarterly installments, $3 and $6, respectively, for each installment interval or part thereof by which such installment or evidence is late. If the Lending Institution elects to add the assessed charge to the outstanding principal of the loan, it shall so inform me prior to the due date of the next installment.]

ASSIGNMENT

IV. This note may be assigned by the Lending Institution only (A) to another institution upon my transfer to that institution if that institution is participating in this program (or, if not so participating, is eligible to do so and is approved by the Commissioner for such purpose) or (B) to the United States if this note has been in default for two years. The provisions of this note that relate to the Lending Institution shall, where appropriate, relate to an assignee.

PRIOR LOANS

V. I hereby certify that I have listed below all of the National Direct Student Loans (or National Defense Student Loans) I have obtained at other institutions. If no prior loans have been received state "None."

SCHEDULE OF NATIONAL DIRECT STUDENT LOANS AND NATIONAL DEFENSE STUDENT LOANS AT OTHER INSTITUTIONS

	Amount	Date	Institution
1	$		
2	$		
3	$		
4	$		

VI. Schedule of Advances

	Amount	Date	Signature of Maker
1	$		
2	$		
3	$		
4	$		

Signature ______________________ Date ______________, 19____

Permanent Address ____
(Street or Box Number, City, State, and Zip Code)

CAVEAT—This note shall be executed without security and without endorsement, except that if I am a minor and this note would not, under the law of the State in which the Lending Institution is located, create a binding obligation, either security or endorsement may be required. The Lending Institution shall supply a copy of this note to me.

Signature of Endorser ______________________ Date ____________, 19____

Permanent Address ____
(Street or Box Number, City, State, and Zip Code)

THE NATIONAL DIRECT STUDENT LOAN

Promissory Note

INSTRUCTIONS: On the reverse side of this form in permanent ink please complete the following:

a. If you have borrowed money under the National Direct or National Defense Student Loan Program from another institution, you are to complete Item 1.

b. All students are required to read provisions of this Note and complete Item 2.

c. If you are under 18, please have an endorser complete Item 3.

Date ______

I, ______ Student Number ______

promise to pay to (institution name), hereinafter called the Lending Institution, located at (city/state), the sum of $______ (or so much more thereof as may from time to time be advanced to me and endorsed in the Schedule of Advances) together with all attorney's fees and other costs and charges necessary for the collection of any amount not paid when due.

SCHEDULE OF ADVANCES	STUDENT: DO NOT WRITE IN THIS BOX UNTIL MONEY IS RECEIVED		
	Amount	Date	Signature of Borrower

I further understand and agree that:

GENERAL I All sums advanced pursuant to this note are drawn from a fund created under Part E of Title IV of the Higher Education Act of 1965, hereinafter called the Act, and are subject to the Act and the Federal Regulations promulgated pursuant to the Act. The terms of this note shall be construed in accordance with the Act and Federal Regulations, copies of which shall be kept by the Lending Institution.

REPAYMENT II (1) Interest shall accrue from the beginning of the repayment period and shall be at the rate of 3 per centum on the unpaid balance except that no interest shall accrue during any period described in paragraph III (3).

(2) Except as provided in paragraph II (3) Repayment of principal, together with interest thereon, shall be made over a period beginning 9 months after the date on which I cease to be at least a half-time student at an institution of higher education or at a comparable institution outside the United States approved for this purpose by the United States Commissioner of Education, and ending, unless paragraph III (3) applies, 10 years and 9 months after that date. I may, however, request that the payment period start on an earlier date. I shall repay the principal and interest over the course of the repayment period in equal monthly, bimonthly, or quarterly installments, as determined by the Lending Institution, except that, if I request, such payments shall be made in graduated installments determined in accordance with such schedules as may be approved by the Lending Institution and the Commissioner. In either case, a schedule of repayment shall be attached to and made part of this note.

(3) If the repayment schedule that would otherwise be established in accordance with paragraph II (2) would provide for payments of principal and interest at a rate of less than $30 per month, I shall repay the total amount of this loan plus the interest thereon at the rate of $30 per month, which shall include repayment of principal and interest. In the event I receive or have received National Direct or Defense Student Loans from other lending institutions, I shall repay this note at a monthly rate equal to not less than the amount by which $30 exceeds the total monthly rate of principal and interest repaid on the other loans. A schedule of repayment shall be attached to and made part of this note. The Lending Institution may permit me to pay less than the rate of $30 per month for a period of not more than one year where necessary to avoid hardship to me unless such an action would extend the repayment period in paragraph 2 of this article.

III. This note is also subject to the following conditions:

PREPAYMENT (1) I may at my option and without penalty prepay all or any part of the principal, plus the accrued interest thereon, at any time.

DEFAULT (2) If I fail to meet a scheduled repayment of any of the installments due on this note, the entire unpaid indebtedness including interest due and accrued thereon, shall, at the option of the Lending Institution, become due and payable.

DEFERMENT (3) Interest shall not accrue, and installments need not be paid (A) while I am enrolled and in attendance as at least a half-time student at an institution of higher education or at a comparable institution outside the United States approved for this purpose by the Commissioner, or (b) for a period not in excess of three years during which I am (I) on full-time active duty as a member of the Armed Forces of the United States (Army, Navy, Air Force, Marine Corps, or Coast Guard), (II) in service as a volunteer under the Peace Corps Act, or (III) a VISTA volunteer under Title I — Part A of the Domestic Service Act of 1973, P.L. 93-113, (formerly Title VIII of the Economic Opportunity Act of 1964).

The Lending Institution may, upon my application, defer or reduce any scheduled repayments if, in the view of the Lending Institution, extraordinary circumstances such as prolonged illness or unemployment, prevent me from making such payments. However, interest shall continue to accrue.

CANCELLATION FOR TEACHING (4) I am entitled to have the entire amount of this loan plus interest thereon cancelled if I undertake service (A) as a full-time teacher in a public or other nonprofit elementary or secondary school which is in a school district of a local educational agency which is eligible for assistance pursuant to Title I of the Elementary and Secondary Education Act of 1965 and which for the purposes of this clause has been designated by the Commissioner in accordance with the provisions of Section 465 (a) (2) of the Higher Education Act as a school with a high enrollment of students from low-income families, or (B) as a full-time teacher of handicapped children (including mentally retarded, hard of hearing, deaf, speech impaired, visually handicapped, seriously emotionally disturbed, or other health-impaired children who by reason thereof require special education) in a public or other nonprofit elementary or secondary school system.

This loan shall be cancelled for teaching service in accordance with the following rates: 15 per centum of the total principal amount of the loan plus interest thereon shall be cancelled for the first and second complete academic years of teaching service; 20 per centum of the total principal amount plus interest thereon for the third and fourth complete academic years of such service; and 30 percentum of the total principal amount plus interest thereon for the fifth complete academic year of such service.

HEAD START CANCELLATION (5) I am entitled to have the entire amount of this loan plus the interest thereon cancelled if I undertake service as a full-time staff member in a preschool program carried on under Section 222 (a) (I) of the Economic Opportunity Act of 1964 (Head Start) at the rate of 15 per centum of the total principal amount of the loan plus interest thereon for each complete school year or its equivalent of such service, if that Head Start program is operated for a period which is comparable to a full school year in the locality, and if the salary of such staff members is not more than the salary of a comparable employee of the local educational agency.

MILITARY CANCELLATION (6) If I serve as a member of the Armed Forces of the United States, up to 50 per centum of the principal amount of this loan plus the interest thereon shall be cancelled at the rate of 12½ per centum of the total principal amount of the loan plus interest thereon for each complete year of service in an area of hostilities that qualifies for special pay under Section 310 of Title 37 of the United States Code.

DEATH AND DISABILITY CANCELLATION (7) If I should die or become permanently and totally disabled, the entire amount of this loan plus the interest thereon shall be cancelled.

ADDRESS CHANGE (8) I am responsible for informing the Lending Institution of any change or changes in my address.

PENALTY CHARGE (9) If I fail to make timely payment of all or any part of a scheduled installment, or if I am eligible for deferment or cancellation of payment (pursuant to paragraph III (3), (4), (5), or (6), but fail to submit timely and satisfactory evidence thereof, I promise to pay the charge assessed against me by the Lending Institution. No charge may exceed (1) where the loan is repayable in monthly installments, $1 for the first month or part of a month by which such installment or evidence is late, and $2 for each month or part of a month thereafter; or (2) in the case of a loan which is repayable in bimonthly or quarterly installments, $3 and $6, respectively, for each installment interval or part thereof by which such installment or evidence is late. If the Lending Institution elects to add the assessed charge to the outstanding principal of the loan, it shall so inform me prior to the due date of the next installment.

ASSIGNMENT IV. This note may be assigned by the Lending Institution only (A) to another institution upon my transfer to that institution if that institution is participating in the program (or, if not so participating, is eligible to do so and is approved by the Commissioner for such purpose) or (B) to the United States if this note has been in default for two years. The provisions of this note that relate to the Lending Institution shall, where appropriate, relate to an assignee.

ITEM I **STUDENT'S DECLARATION OF**

National Direct Student Loans and National Defense Student Loans at Other Institutions

SCHOOL	ACADEMIC YEAR	AMOUNT	SIGNATURE

PRIOR LOANS V. I hereby certify that I have listed all of the National Direct Student Loans (or National Defense Student Loans) I have obtained at other institutions. (If no prior loans have been received, state "None".)

ITEM 2 Borrower sign here.

Borrower ______
(signature)

Permanent Address ______
(street no.)

______
(city) (state) (zip code)

Approved ______
Financial Aid Officer

ITEM 3 If Borrower is under 18, endorser is required. Parent, Guardian or Nearest Relative (Not Spouse).

Endorser ______
(signature)

______
Please type or print Endorser's name and address

______
(street address)

______
(city) (state) (zip code)

Appendix 5

Example for Computing Penalty Charges—Six Months

Monthly	*January 2*	*February 2*	*March 2*	*April 2*	*May 2*	*June 2*	*Total per payment*
1st past due	$1	$1 + $2	$3 + $2	$5 + $2	$7 + $2	$9 + $2	$11
2nd past due		$1	$1 + $2	$3 + $2	$5 + $2	$7 + $2	$ 9
3rd past due			$1	$1 + $2	$3 + $2	$5 + $2	$ 7
4th past due				$1	$1 + $2	$3 + $2	$ 5
5th past due					$1	$1 + $2	$ 3
6th past due						$1	$ 1
							Total—All payments——$36
Bimonthly							
1st past due	$3		$3 + $3		$6 + $3		$ 9
2nd past due			$3		$3 + $3		$ 6
3rd past due					$3		$ 3
							Total—All payments——$18
Quarterly							
1st past due	$6			$6 + $6			$12
2nd past due				$6			$ 6
							Total—All payments——$18

Appendix 6

Sample Truth in Lending Form

(to be executed at the time a loan commitment is made)

Amount of Loan $_____ Loan No. _____

The ___(National Defense/Direct)___ Student Loan(s) which you have received, together with an ANNUAL PERCENTAGE RATE of 3% on the unpaid balance, is repayable in accordance with a repayment schedule approved by the school and the Secretary of Health, Education, and Welfare, and agreed to by you, the Maker, at the time you cease to pursue an eligible course of study at the school. The FINANCE CHARGE begins to accrue at the termination of the grace or other deferment period.

The AMOUNT FINANCED (or the total of all loans due) is repayable in accordance with the provisions of the promissory note and the repayment schedule to be attached thereto, and this is subject to provisions relating to DELINQUENCY and DEFAULT CHARGES specified in the promissory note.

The Maker may, at his option, and without penalty, prepay all or any part of the principal plus the accrued interest at any time.

________________ Date

________________ Signature—Lender

The Maker acknowledges receipt of an exact copy of this statement.

________________ Date

________________ Signature—Maker

________________ Address

Appendix 7

Sample Truth in Lending Form

(to be executed at the time a repayment schedule is signed)

The (National Defense or National Direct) Student Loan(s) which you have received, together with an ANNUAL PERCENTAGE RATE of 3% on the unpaid balance, is repayable in accordance with this repayment schedule. The FINANCE CHARGE begins to accrue (Month) (Day) (Year) ______________.

The AMOUNT FINANCED $________ (less any amounts repaid, or canceled in accordance with the provisions of the promissory note) together with $________ FINANCE CHARGE (the total amount of interest to be paid during the repayment period), is to be canceled or repaid in (number of) payments of $________ (except as otherwise indicated in the repayment schedule) for a total of payments of $________ . The due date of payments shall be: (Month) (Day) (Year) and the same date each (year, six months, quarter, month) thereafter.

The AMOUNT FINANCED (or the total of all loans due) is repayable in accordance with this repayment schedule, and this is subject to provisions relating to DELINQUENCY and DEFAULT CHARGES specified in the promissory note(s). (Specify where applicable.)

The Maker may, at his option, and without penalty, prepay all or any part of the principal plus the accrued interest at any time.

Date	Signature—Lender

The Maker acknowledges receipt of an exact copy of this statement.

Date	Signature—Maker
	Address

Appendix 8

Subpart C—Loan Collection—Due Diligence

144.41 GENERAL

Each institution at which a Fund is established shall exercise due diligence as described in this subpart in the collection of the amounts due and payable to its Fund. In the exercise of such responsibility each institution must consistently utilize extensive and forceful collection practices. In particular, an institution shall:

(a) provide to each borrower, not later than the time when he signs his promissory note, full disclosure of his rights and obligations thereunder;

(b) (1) Conduct an exit interview as described in 144.42 with each borrower prior to his leaving the institution and provide the borrower at that time with a copy of his repayment schedule specifying the total amount of the loan and the dates and amounts of installments as they become due;

(2) If a borrower leaves the institution without notice, the institution shall mail the borrower a copy of his note and 2 copies of his repayment schedule and shall request the borrower to sign and return one of the copies of the repayment schedule.

(c) Maintain a written record of the exit interview, including a repayment schedule signed by the borrower which shall be made a part of the borrower's file;

(d) Maintain contact with the borrower after his leaving the institution in order to facilitate billing and in order to keep him informed on a timely basis of all changes in the program affecting his rights and obligations.

144.42 CONTACT WITH THE BORROWER PRIOR TO REPAYMENT PERIOD

(a) *Coordination of institutional offices.* Each institution shall provide for the exchange of information among all appropriate institutional offices, e.g., the registrar, student financial aid, business, and alumni offices in order to determine (1) the approximate time a borrower will graduate in order that an exit interview may be conducted, or (2) whether a student has left school without proper notice so that it may mail the borrower required information.

(b) *Exit interview.* (1) Each institution shall, if possible, conduct an exit interview with each borrower prior to the time the borrower leaves the institution. The exit interview shall be conducted on an individual basis, except that, if individual interviews are not feasible, the institution may conduct group exit interviews.

(2) During the exit interview the institution shall provide the borrower with a detailed explanation of his obligations and rights. It shall advise the borrower: (i) Of the fact that he has received a loan which must be repaid on a timely basis as called for in his repayment schedule, (ii) of his responsibility to inform the institution immediately of any change of address, (iii) of the full amount of his loan including the interest rate, (iv) of the date and amount when the first payment becomes due, (v) of his responsibility to contact the institution prior to the due date of any installment if payment cannot be made for any reason, (vi) of his rights to deferment, postponement, and/or cancellation as well as his responsibility to submit timely certification of such right to the deferment, postponement, and/or cancellation, (vii) of his right to accelerate loan repayments without penalty, (viii) of any optional features which the institution has inserted in its note including the minimum monthly repayment provision, total costs of collection chargeable to the borrower, and penalty charges.

(c) The institution shall contact each borrower no less than three times during the borrower's 9 month grace period as follows: (1) 90 days into the grace period the institution shall transmit to the borrower in writing the information described in paragraph (b) (2) of this section and such other information as is necessary to satisfy Truth in Lending Act regulations; (2) 180 days into the grace period the institution shall notify the borrower of the date of expiration of the borrower's grace period; and (3) no less than 30 days preceding the due date of the first repayment installment the institution shall notify the borrower of the date when his first payment becomes due and of the amount of principal and interest due at that time.

(d) If the institution finds that a borrower's address has changed, it shall implement the procedures set forth in 144.43 (a) (4) in order to secure the borrower's correct address.

144.43 BILLING PROCEDURES

(a) Each institution shall establish and maintain regular billing and follow-up procedures during the period in which any outstanding balance remains unpaid, including:

(1) The sending of: (i) A letter of notice and a statement of account to each borrower no later than 30 days preceding the date on which the first repayment installment is due; (ii) A statement of account to each borrower no fewer than 10 days preceding the due date of each payment subsequent to the first payment, unless a coupon system is established; (iii) When any payment is not received within 15 days of the due date, a telephoned or written demand to the borrower for payment followed by two more such demands spaced 30 days apart if no response to the initial demand is received;

(2) The maintenance of a monthly list of payments in arrears with respect to loans not paid when due;

(3) Other procedures for effecting prompt and regular repayment including personal or telephone contact where possible;

(4) In the case of a borrower whose address is no longer known, which may be evidenced by return of mail, performance of a thorough search of all reasonably accessible information which may lead to the borrower's current address, including records checks in all appropriate institutional offices, checks of the telephone directory or information operator in the city or town of the borrower's last known address, long distance phone calls to the borrower if a phone number has been obtained and the use of the Office of Education's skip-tracing service, which will be provided free of charge to the institution.

(b) Costs incurred by the institution in carrying out the activities enumerated in paragraph (a) of this section shall be considered routine administrative expenses which may not be charged to the Fund, except for the costs of long distance phone calls to the borrower described in paragraphs (a) (3) and (a) (4) of this section, which may, in accordance with 144.46, be considered other collection costs chargeable to the Fund.

144.44 SKIP-TRACING ACTIVITIES

(a) If an institution is still unable to locate a borrower, in spite of its efforts pursuant to 144.43 (a) (4), it shall engage the services of a commercial skip tracing organization or perform equivalent skip tracing activities with its own personnel.

(b) If the borrower's address is located as a result of the activities described in paragraph (a) of this section, the institution shall immediately contact the borrower for the purpose of collecting amounts past due.

144.45 COLLECTION PROCEDURES

(a) If an institution is still unable to obtain payment from a borrower after performing all of the activities set forth in 144.43 and 144.44, it shall utilize the services of a collection agency or perform such collection activities with its own personnel or shall resort to litigation.

(b) If a collection agency is used it must be bonded in an amount to cover those particular assets of the Fund which are under the control of the agency at any particular time.

(c) Notwithstanding the provisions of paragraph (a) of this section, if the amount of principal and interest outstanding on a loan is not more than $2 the institution may write-off that amount and need not take any further collection action with regard to that loan.

144.46 OTHER COLLECTION COSTS-LITIGATION COSTS

(a) Reasonable costs incurred in carrying out the activities described in 144.44 (a) and 144.45 and the costs of long distance calls incurred in carrying out 144.43 (a) (3) and (a) (4) and 144.44 (b) shall be considered other collection costs and may be charged to the Fund, except that any collection costs paid by the borrower may not be charged to the Fund. For audit purposes, such costs must be supported by appropriate financial statements (e.g. telephone bills and collection agency bills). The statement of the collection agency shall indicate specific amounts collected and charges retained.

(b) If an institution elects to perform its own collections, rather than using a collection agency, its actual costs of collection may be considered other collection costs and charged to the Fund, so long as such costs do not exceed the costs that would have been permitted under paragraph (a) of this section if the institution had used a commercial collection agency.

(c) Reasonable litigation costs incurred in carrying out this subpart may be charged to the Fund.

144.47 UTILIZATION OF FISCAL AGENT

(a) If an institution utilizes a billing service, collection agency or any other type of fiscal agent in carrying out its functions under this part, the function of such service or agency must be limited solely to the performance of ministerial acts. The ultimate responsibility of the institution to make determinations relative to the making and collection of loans and decisions relative to cancellation and deferment of loans cannot be delegated.

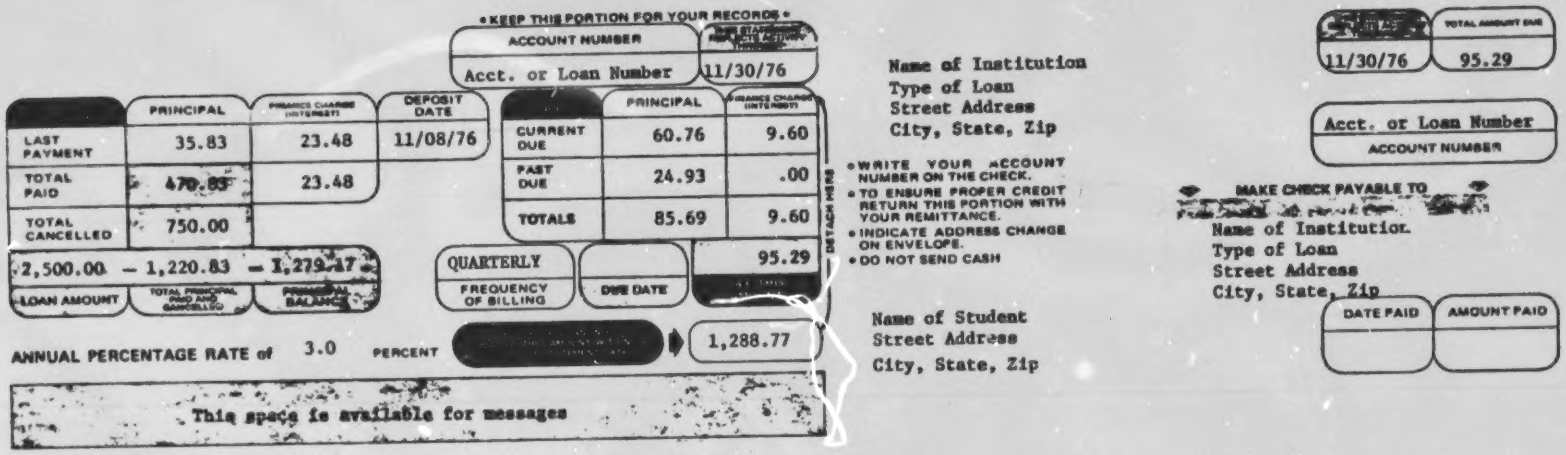
(b) If a billing service is used to carry out the functions pursuant to 144.43, the billing service may not deduct its fee from the funds it receives from borrowers.

144.48 USE OF COMMONLY OWNED BILLING SERVICE AND COLLECTION AGENCY PROHIBITED

If in carrying out the activities required under 144.43 an institution uses a commercial billing service, it may not utilize a collection agency pursuant to 144.45 which owns or controls, or is owned or controlled by, the billing service or which is owned and controlled by a corporation, partnership, association or individual which also owns or controls the billing service.

144.49 BANKRUPTCY OF BORROWER

An institution shall refrain from collection activity with respect to a loan in the event the borrower is adjudicated a bankrupt and such loan has been discharged. However, no such loans shall be written off until an official notice of the adjudication has been received by the institution. Such notification must be maintained in the file of that borrower to support the write-off entry. If the institution receives any payment from a borrower subsequent to his adjudication as a bankrupt, it shall deposit such payment in its Fund.



• KEEP THIS PORTION FOR YOUR RECORDS •

ACCOUNT NUMBER	[illegible]
Acct. or Loan Number	11/30/76

	PRINCIPAL	FINANCE CHARGE (INTEREST)	DEPOSIT DATE
LAST PAYMENT	35.83	23.48	11/08/76
TOTAL PAID	470.83	23.48	
TOTAL CANCELLED	750.00		

LOAN AMOUNT	TOTAL PRINCIPAL PAID AND CANCELLED	PRINCIPAL BALANCE
2,500.00 –	1,220.83 –	1,279.17

	PRINCIPAL	FINANCE CHARGE (INTEREST)
CURRENT DUE	60.76	9.60
PAST DUE	24.93	.00
TOTALS	85.69	9.60
		95.29

FREQUENCY OF BILLING	DUE DATE
QUARTERLY	

ANNUAL PERCENTAGE RATE of 3.0 PERCENT ▶ 1,288.77

This space is available for messages

DETACH HERE

Name of Institution
Type of Loan
Street Address
City, State, Zip

- WRITE YOUR ACCOUNT NUMBER ON THE CHECK.
- TO ENSURE PROPER CREDIT RETURN THIS PORTION WITH YOUR REMITTANCE.
- INDICATE ADDRESS CHANGE ON ENVELOPE.
- DO NOT SEND CASH

Name of Student
Street Address
City, State, Zip

[illegible]	TOTAL AMOUNT DUE
11/30/76	95.29

Acct. or Loan Number
ACCOUNT NUMBER

MAKE CHECK PAYABLE TO

Name of Institution
Type of Loan
Street Address
City, State, Zip

DATE PAID	AMOUNT PAID

Appendix 10

Samples of Messages Which Might be Used on the Statement Form

(These messages can take the place of the written letter and should get progressively stronger with each statement)

GRACE PERIOD EXPIRATION

"Your grace period will expire on MM/DD/YY and your first payment will be due MM/DD/YY. Please do not contact us until you receive your first bill."

ADVANCE NOTICE

"Prompt repayment of this bill will enable other qualified students to pursue their education. Thank you."

15 DAYS PAST DUE

"Did you forget? This bill is now past due. Please take care of this matter today!"

45 DAYS PAST DUE

"Your Student Loan is a serious obligation which you seem to be ignoring. If you have any questions, please contact us. Otherwise, remit payment!"

75 DAYS PAST DUE

"Previous requests have been made for payment on your seriously delinquent account. If payment is not received, your account may be referred for collection."

Appendix 11

Sample Letter to be Used at 90–120 Days

Dear :

The National Defense/Direct Student Loan allows an institution to refer accounts to a collection agency if the accounts become 120 days past due. Failure to do so could result in the termination of the program at that institution for failure to use "due diligence."

It is with regret that I find it necessary to use this action on your account. However, our records indicate that $ is due and that you have taken no positive action to bring your account current.

Therefore, if payment is not received, or if arrangements have not been made with us within fifteen (15) days from the date of this letter, your account will be referred for collection. This could result in the total unpaid balance being due immediately as agreed to when you signed your note. A self-addressed envelope has been provided for your use in sending your check. Please make your check payable to ________________________.

Sincerely,

Appendix 12

IMPORTANT:
IMPROPER COMPLETION OF THIS FORM
WILL CAUSE DELAYS IN THE PROCESSING
OF YOUR ACCOUNT

GENERAL INFORMATION FOR TEACHER CANCELLATION ELIGIBILITY

1. You must be a full-time teacher.
2. Loans obtained prior to 7/1/72 may be cancelled at the rate of 10% per year for teaching one complete academic year (or its equivalent) in an accredited public or other non-profit elementary or secondary school or institution of higher learning. A borrower may have a maximum of five, 10% partial cancellations. Or, you may cancel at the rate of 15% per year without restriction if:
   - (a) teaching in a school with a high concentration of students from low-income families "as determined by the Commissioner of Education."
   - (b) teaching handicapped children in a public or other non-profit elementary or secondary school system.
3. Loans obtained after 6/30/72 may be cancelled at the rate of 15% per year if you are employed as a full-time staff member in the Head Start Program, which is operated for a period comparable to a full school year in the locality. Or, you may receive cancellation for a complete academic year of full time teaching in an accredited public or other non-profit elementary or secondary school at the rate of 15% for the first and second, 20% for the third and fourth, and 30% for the fifth year of service if you are:
   - (a) teaching in an elementary or secondary school with a high concentration of students from low-income families "as determined by the Commissioner of Education."
   - (b) teaching handicapped children in a public or other non-profit elementary or secondary school
4. Partial cancellations are processed for prior periods only. Forms must be submitted at the completion of each teaching year for which the borrower requested partial cancellation. (Any two complete and successive half-years, not including summer sessions, or two complete semesters, trimesters or three complete quarters in a twelve-month duration constitutes an academic year.)

INSTRUCTION

1. If you are teaching and attending school, apply only for the teacher cancellation.
2. Insure that you have checked your intention to teach or not to teach in the next academic year on the adjoining forms. If you indicate you will teach, at the end of the academic year you will receive one billing for the entire year. If you are eligible for partial cancellation at that time, you need only submit the request for partial cancellation. If you are ineligible, you must pay the amount indicated on that bill.
3. If you indicated on the forms that you intended to teach, but do not teach, please contact Michigan State University so we may proceed with normal billing.

← PARTS I AND II MUST BE COMPLETED BEFORE IT CAN BE ACCEPTED →

CANCELLATION
COMPLETE THIS SIDE
DEFERMENT
COMPLETE REVERSE SIDE

REQUEST FOR PARTIAL CANCELLATION OF LOAN DUE TO TEACHING SERVICE

PART I – GENERAL AND CERTIFICATION OF TEACHING INFORMATION (TO BE COMPLETED BY BORROWER)

ACCOUNT NUMBER

NAME (LAST FIRST INITIAL)

ADDRESS (STREET CITY STATE ZIP CODE)

NAME OF SCHOOL, NOT SCHOOL DISTRICT WHERE EMPLOYED

NAME AND ADDRESS OF LENDING INSTITUTION (City State and Zip Code)

DESCRIPTION OF EXACT DUTIES (Attach sheet if necessary)

ACADEMIC YEAR STARTING →	MONTH	DAY	YEAR	ACADEMIC YEAR TERMINATING →	MONTH	DAY	YEAR

CHECK APPROPRIATE BOXES FOR FULL TIME TEACHER CANCELLATION ENTITLEMENT BELOW

Loans Granted Prior to 7/1/72	Elementary School	Secondary School	Institution of Higher Education	10 Per Centum Rate	15 PER CENTUM RATE BY REASON OF: ELEMENTARY AND SECONDARY SCHOOLS ONLY	
PUBLIC					HIGH CONCENTRATION OF STUDENTS FROM LOW-INCOME FAMILIES	
OTHER NONPROFIT					TEACHER OF THE HANDICAPPED	

Loans Granted after 6/30/72	Elementary School	Secondary School		
High Concentration of Students From Low Income Families			Staff Member of Head Start	
Teacher of the Handicapped				

I DECLARE that I was employed as a full time teacher in a public or other nonprofit elementary or secondary school or institution of higher education in a state, or in an elementary or secondary school overseas of the Armed Forces of the United States, or as a full-time staff member of the Head Start Program for a complete academic year or its equivalent as stated. I request cancellation of the appropriate amount of principal and interest for such service in accordance with my entitlement under the law and in accordance with regulations and instructions issued by the U.S. Commissioner of Education.

☐ I DO INTEND TO TEACH DURING THE NEXT ACADEMIC YEAR ________ TO ________

☐ I DO NOT INTEND TO TEACH DURING THE NEXT ACADEMIC YEAR

SIGNATURE OF BORROWER DATE

PART II – CERTIFICATION BY SCHOOL OFFICIAL IN WHICH BORROWER TAUGHT

I CERTIFY that the borrower's declaration as to his employment, the completion of his service and the description of his duties is true and correct

SCHOOL SYSTEM DISTRICT or INSTITUTION	SIGNATURE of AUTHORIZED OFFICIAL	OFFICIAL SEAL OR STAMP (If none, include signed letter of Certification)
ADDRESS (City County State Zip Code)	TITLE	
	DATE	

PART III – COMPLETED BY LENDING INSTITUTION

☐ 10% Rate ☐ 15% Rate ☐ 20% Rate ☐ 30% Rate ☐ Disapproved (See Attached)

LOAN PRINCIPAL CANCELED	INTEREST CANCELED	TOTAL AMOUNT CANCELED	NEW BALANCE	POSTPONEMENT ENDING DATE
$	$	$	$	

SIGNATURE OF APPROVING OFFICIAL	TITLE	DATE

INSTRUCTIONS TO BORROWERS

1. Complete and Submit in two copies
2. Insure that PART I and PART II are fully completed before sending
3. Return forms to

REQUEST FOR PARTIAL CANCELLATION OF LOAN DUE TO TEACHING SERVICE

PART I – GENERAL AND CERTIFICATION OF TEACHING INFORMATION (TO BE COMPLETED BY BORROWER)

ACCOUNT NUMBER

NAME (LAST FIRST INITIAL)

ADDRESS (STREET CITY STATE ZIP CODE)

NAME OF SCHOOL, NOT SCHOOL DISTRICT WHERE EMPLOYED

NAME AND ADDRESS OF LENDING INSTITUTION (City State and Zip Code)

DESCRIPTION OF EXACT DUTIES (Attach sheet if necessary)

ACADEMIC YEAR STARTING →	MONTH	DAY	YEAR	ACADEMIC YEAR TERMINATING →	MONTH	DAY	YEAR

CHECK APPROPRIATE BOXES FOR FULL TIME TEACHER CANCELLATION ENTITLEMENT BELOW

Loans Granted Prior to 7/1/72	Elementary School	Secondary School	Institution of Higher Education	10 Per Centum Rate	15 PER CENTUM RATE BY REASON OF: ELEMENTARY AND SECONDARY SCHOOLS ONLY	
PUBLIC					HIGH CONCENTRATION OF STUDENTS FROM LOW-INCOME FAMILIES	
OTHER NONPROFIT					TEACHER OF THE HANDICAPPED	

Loans Granted after 6/30/72	Elementary School	Secondary School		
High Concentration of Students From Low Income Families			Staff Member of Head Start	
Teacher of the Handicapped				

I DECLARE that I was employed as a full-time teacher in a public or other nonprofit elementary or secondary school or institution of higher education in a state, or in an elementary or secondary school overseas of the Armed Forces of the United States, or as a full-time staff member of the Head Start Program for a complete academic year or its equivalent as stated. I request cancellation of the appropriate amount of principal and interest for such service in accordance with my entitlement under the law and in accordance with regulations and instructions issued by the U.S. Commissioner of Education.

☐ I DO INTEND TO TEACH DURING THE NEXT ACADEMIC YEAR ________ TO ________

☐ I DO NOT INTEND TO TEACH DURING THE NEXT ACADEMIC YEAR

SIGNATURE OF BORROWER DATE

PART II – CERTIFICATION BY SCHOOL OFFICIAL IN WHICH BORROWER TAUGHT

I CERTIFY that the borrower's declaration as to his employment, the completion of his service, and the description of his duties is true and correct

SCHOOL SYSTEM DISTRICT or INSTITUTION	SIGNATURE of AUTHORIZED OFFICIAL	OFFICIAL SEAL OR STAMP (If none, include signed letter of Certification)
ADDRESS (City County State Zip Code)	TITLE	
	DATE	

PART III – COMPLETED BY LENDING INSTITUTION

☐ 10% Rate ☐ 15% Rate ☐ 20% Rate ☐ 30% Rate ☐ Disapproved (See Attached)

LOAN PRINCIPAL CANCELED	INTEREST CANCELED	TOTAL AMOUNT CANCELED	NEW BALANCE	POSTPONEMENT ENDING DATE
$	$	$	$	

SIGNATURE OF APPROVING OFFICIAL	TITLE	DATE

INSTRUCTIONS TO BORROWERS

1. Complete and Submit in two copies
2. Insure that PART I and PART II are fully completed before sending.
3. Return forms to

Appendix 13

REQUEST FOR PARTIAL CANCELLATION OF LOAN FOR MILITARY SERVICE
NATIONAL DEFENSE OR NATIONAL DIRECT STUDENT LOANS

PART I
GENERAL INFORMATION
(To be Completed by Borrower)

NAME OF BORROWER
ADDRESS (Street, City, State, Zip Code)
BRANCH OF ARMED FORCES
RANK AND SERIAL NUMBER
NAME AND ADDRESS OF LENDING INSTITUTION (City, State and Zip Code)

INSTRUCTIONS: Check the appropriate box for partial cancellation of your loan. Return two (2) completed copies to each institution after one(1) full year's military service.

PART II
REQUEST FOR CANCELLATION

☐ I declare I obtained my National Defense Loan between April 13, 1970 and June 30, 1972, and that I am eligible for partial cancellation at the rate of 12 1/2% per year for each complete consecutive year of active service performed after June 30, 1970.

☐ I declare I obtained my National Direct Loan after June 30, 1972 and that I qualify for partial cancellation at the rate of 12 1/2% per year for each complete consecutive year of active service performed in an area of hostilities that qualifies for special pay under Section 310 of Title 37, United States Code.

Dates of Service

From: ____________

To: ____________

PART III
CERTIFICATION BY COMMANDING OR OTHER AUTHORIZED OFFICER

I CERTIFY that the Borrower's Declaration as to the Completion of his Military Service is true and correct.

The borrower (does) (does not) qualify for special pay under Sect. 310 of Title 37, U.S. Code.

SIGNATURE OF CERTIFYING OFFICER
BRANCH OF ARMED FORCES
OFFICIAL SEAL OR STAMP
RANK OR TITLE
DATE
ADDRESS (Street, City, State, Zip Code)

PART IV
TO BE COMPLETED BY THE LENDING INSTITUTION

After Final Action Return One Copy to the Borrower and Retain One Copy

☐ CANCELLATION APPROVED

☐ CANCELLATION REQUEST DENIED

LOAN PRINCIPAL CANCELED	INTEREST CANCELED	TOTAL AMOUNT CANCELED	BALANCE DUE AFTER THIS TRANSACTION
$	$	$	$

IF REQUEST IS DENIED INDICATE REASON HERE

SIGNATURE OF APPROVING OFFICIAL
TITLE
DATE

Account No. ______________

Appendix 14

NATIONAL DEFENSE STUDENT LOAN

Request for Postponement of Repayment Because of Teaching, Student, Armed Forces, Peace Corps, or Vista Status

Name of Borrower	Name and Address of Lending Institution (City, State, Zip Code)
Address (Street, City, State, Zip Code)	

INSTRUCTIONS

At the time the scheduled repayment falls due, the borrower should forward one copy of this form to each institution to which he is obligated to make repayment of a National Defense Student Loan. This form will allow the institution to postpone payments until the completion of such status, at which time a deferment or cancellation form will be required.

Part I — To be completed by the borrower only.

Part II — To be completed by the appropriate official in the school or institution of higher education in which the borrower is teaching, or by the registrar, commanding officer, or official of Peace Corps or VISTA.

The completed form is to be mailed by the certifying official directly to the fiscal officer of the institution from which the loan was secured.

NOTE: No postponement action is possible until this form reaches the lending institution.

Part I - Request for Suspension of Payment

I declare that my status will be as I have checked below. I further declare that I expect to remain in that status for the time shown, and that I will claim deferment or cancellation at the end of the postponed time. I further understand and agree that if, for any reason, whether through my own doing or because of events beyond my control, I do not complete the status for the time shown, I will immediately begin payment of my loan principal and interest, including those payments which were postponed.

This is to certify that I will be: (check appropriate item)

Pursuing at least a half-time course of study in an institution of higher education		From (month and year)	To (month and year)
A member of the Armed Forces	Serial Number	From (month and year)	To (month and year)
In Peace Corps Volunteer Service		From (month and year)	To (month and year)
In Volunteer In Service To America (VISTA)		From (month and year)	To (month and year)
A full time teacher in an accredited elementary, secondary or school of higher education		From (month and year)	To (month and year)
Signature of Borrower			Date

Part II - Certification of Status

I certify that the information stated in Part I above is true and correct. Person named above is:

Enrolled as at least a half-time student	In Armed Forces
In Peace Corps Volunteer Service	In Volunteers In Service to America (VISTA)
A full time teacher	

Signature (Registrar, Commanding Officer, Peace Corps Officer or VISTA officer) or school official where teaching is being performed	Date
Institution of higher education, military organization, Peace Corps Headquarters, VISTA Headquarters, or school system in which the borrower is teaching.	Official Seal or Stamp
Address (city, state, and zip code)	

Appendix 15

IMPORTANT:
IMPROPER COMPLETION OF THIS FORM
WILL CAUSE DELAYS IN THE PROCESSING
OF YOUR ACCOUNT

GENERAL INFORMATION FOR DEFERMENT ELIGIBILITY

1. Periodic installments need not be made during any period that the borrower is:
   - (a) Pursuing a half-time course of study at an institution of higher education.
   - (b) A member of the Armed Forces of the United States.
   - (c) A member of the Peace Corps.
   - (d) A member of VISTA.
2. Student deferments are allowed for an indefinite period of time. Military, Peace Corps, and VISTA are allowed for three years each.
3. If you received your loan after April 13, 1970 and are serving in the Armed Forces of the United States, you should contact this office for information about possible partial cancellation of your loan.

→ PARTS I AND II MUST BE COMPLETED BEFORE IT CAN BE ACCEPTED ←

INSTRUCTIONS

1. If you receive a bill and are eligible for deferment, please submit completed deferment forms and return with your bill. Deferments are not processed for any period of time past the certification date. Forms must be submitted at least once annually and at the completion of the borrower's eligibility for deferment.
2. If you expect to be eligible for deferment beyond the date of certification, be sure to check (x) the appropriate section in PART I. Doing this will stop payment notices for the remainder of your eligibility period or one year, whichever is less. You will receive a bill at the end of that period. If you are eligible for deferment at that time, you need only submit the request for deferment. If you are ineligible, you must pay the amount indicated on that bill.

DEFERMENT
COMPLETE THIS SIDE
CANCELLATION
COMPLETE REVERSE SIDE

REQUEST FOR DEFERMENT OF REPAYMENT BECAUSE OF ARMED FORCES, STUDENT, PEACE CORPS, OR VISTA STATUS

PART I – TO BE COMPLETED BY BORROWER

ACCOUNT NUMBER

NAME AND ADDRESS OF LENDING INSTITUTION (INCLUDE ZIP CODE)

NAME (LAST FIRST INITIAL)

ADDRESS (STREET CITY STATE & ZIP CODE)

THIS IS TO CERTIFY THAT I AM (CHECK APPROPRIATE ITEM)

☐ PURSUING AT LEAST A HALF TIME COURSE OF STUDY IN AN INSTITUTION OF HIGHER EDUCATION		FROM MONTH & YEAR	TO MONTH & YEAR
☐ A MEMBER OF THE ARMED FORCES	SERIAL NUMBER	FROM MONTH & YEAR	TO MONTH & YEAR
☐ IN PEACE CORPS VOLUNTEER SERVICE		FROM MONTH & YEAR	TO MONTH & YEAR
☐ IN VOLUNTEERS IN SERVICE TO AMERICA (VISTA)		FROM MONTH & YEAR	TO MONTH & YEAR

I claim exemption from payment of principal and accrual of interest on my loan during the period indicated above. I agree to notify the lending institution immediately upon termination of my claimed status. Deferments are not given beyond the date of of certification. Therefore:

☐ CHECK HERE IF YOU EXPECT TO BE ELIGIBLE FOR DEFERMENT AGAIN NEXT YEAR

IF SO THROUGH WHAT DATE ______ MONTH YEAR

SIGNATURE OF BORROWER

DATE

PART II – TO BE COMPLETED BY CERTIFYING AUTHORITY

I CERTIFY THAT THE INFORMATION STATED IN PART I ABOVE IS TRUE AND CORRECT. PERSON NAMED ABOVE IS

☐ ENROLLED AS AT LEAST A HALF TIME STUDENT ☐ IN ARMED FORCES

☐ IN PEACE CORPS VOLUNTEER SERVICE ☐ IN VOLUNTEERS IN SERVICE TO AMERICA (VISTA)

SIGNATURE (Registrar, Commanding Officer, Peace Corps Officer or VISTA Officer)

DATE

INSTITUTION OF HIGHER EDUCATION, MILITARY ORGANIZATION, PEACE CORPS HEADQUARTERS or VISTA HEADQUARTERS

OFFICIAL SEAL OR STAMP (If none, include signed letter of Certification)

ADDRESS (CITY STATE & ZIP CODE)

PART III – TO BE COMPLETED BY LENDING INSTITUTION

LENDING INSTITUTION ACTION

☐ APPROVED	DATE	POSTPONEMENT ENDING
☐ DISAPPROVED	NAME OF OFFICIAL	NEXT PAYMENT DUE

1 Complete and Submit in two copies

RETURN TO:

109

REQUEST FOR DEFERMENT OF REPAYMENT BECAUSE OF ARMED FORCES, STUDENT, PEACE CORPS, OR VISTA STATUS

PART I – TO BE COMPLETED BY BORROWER

ACCOUNT NUMBER

NAME AND ADDRESS OF LENDING INSTITUTION (INCLUDE ZIP CODE)

NAME (LAST FIRST INITIAL)

ADDRESS (STREET CITY STATE & ZIP CODE)

THIS IS TO CERTIFY THAT I AM (CHECK APPROPRIATE ITEM)

☐ PURSUING AT LEAST A HALF TIME COURSE OF STUDY IN AN INSTITUTION OF HIGHER EDUCATION		FROM MONTH & YEAR	TO MONTH & YEAR
☐ A MEMBER OF THE ARMED FORCES	SERIAL NUMBER	FROM MONTH & YEAR	TO MONTH & YEAR
☐ IN PEACE CORPS VOLUNTEER SERVICE		FROM MONTH & YEAR	TO MONTH & YEAR
☐ IN VOLUNTEERS IN SERVICE TO AMERICA (VISTA)		FROM MONTH & YEAR	TO MONTH & YEAR

I claim exemption from payment of principal and accrual of interest on my loan during the period indicated above. I agree to notify the lending institution immediately upon termination of my claimed status. Deferments are not given beyond the date of of certification. Therefore:

☐ CHECK HERE IF YOU EXPECT TO BE ELIGIBLE FOR DEFERMENT AGAIN NEXT YEAR

IF SO THROUGH WHAT DATE ______ MONTH YEAR

SIGNATURE OF BORROWER

DATE

PART II – TO BE COMPLETED BY CERTIFYING AUTHORITY

I CERTIFY THAT THE INFORMATION STATED IN PART I ABOVE IS TRUE AND CORRECT. PERSON NAMED ABOVE IS

☐ ENROLLED AS AT LEAST A HALF TIME STUDENT ☐ IN ARMED FORCES

☐ IN PEACE CORPS VOLUNTEER SERVICE ☐ IN VOLUNTEERS IN SERVICE TO AMERICA (VISTA)

SIGNATURE (Registrar, Commanding Officer, Peace Corps Officer or VISTA Officer)

DATE

INSTITUTION OF HIGHER EDUCATION, MILITARY ORGANIZATION, PEACE CORPS HEADQUARTERS or VISTA HEADQUARTERS

OFFICIAL SEAL OR STAMP (If none, include signed letter of Certification)

ADDRESS (CITY STATE & ZIP CODE)

PART III – TO BE COMPLETED BY LENDING INSTITUTION

LENDING INSTITUTION ACTION

☐ APPROVED	DATE	POSTPONEMENT ENDING
☐ DISAPPROVED	NAME OF OFFICIAL	NEXT PAYMENT DUE

1 Complete and Submit in two copies

RETURN TO:

110

Appendix 16

Request for Hardship Deferment

Name____ Account Number________________
(First) (M. I.) (Last)

I request a hardship deferment on my National Defense/Direct Student Loan. I understand that all information and supporting documents given will be held in strictest confidence and will not be subject to dissemination outside the requirements of ______(name of institution)______. I also understand that if granted, this harship deferment is for no more than six months duration. I understand that interest continues to accrue during hardship deferment.

1. Social Security No.________________________

2. Date of Birth________________

3. Date continuous unemployment began ____________ Mo./Yr.

4. *Status:*
____Single ____Widow(er)
____Married ____Separated or Divorced

5. Check and complete one of the items below:
____I have never been employed
____I have received the maximum allowable unemployment benefits
____I did not work long enough to be eligible for unemployment benefits
____I am receiving weekly unemployment benefits of $________________

6. *Dependents:*

Relationship	Age

7. I am receiving monthly public assistance in the amount of $______________

8. My monthly expenses are:
Rent or Mortgage (Cross out one) $____________
Utilities ____________
Food ____________
Car ____________
Other ____________
Total $____________
I have other outstanding liabilities totalling $__________ not listed above. (Please itemize these on the back of this form)

9. My savings account balance is $______________

10. My checking account balance is $____________

11. Spouse's net monthly income $______________

12. If single and living with parents, parents combined net monthly income $______________

13. If separated or divorced, monthly support income $____________

14. I am a widow(er) and am receiving $__________ a month from my spouse's estate, social security, veterans benefits, etc.

15. Total other income $__________________ (Itemize on back of form)

Please use the back of this form in conveying any circumstances that you feel would have a bearing on your request for hardship deferment not covered above.

I CERTIFY THAT ALL STATEMENTS MADE ABOVE ARE TRUE AND CORRECT. I ALSO CERTIFY THAT I WILL IMMEDIATELY NOTIFY YOUR OFFICE OF ANY CHANGE IN MY EMPLOYMENT STATUS OR SIGNIFICANT CHANGE IN MY FINANCIAL PICTURE.

______________________________ ________________
Signature Date

Appendix 17

Sample Letter Responding to Request for Hardship Deferment

Dear Borrower:

Your Request for Hardship Deferment has been received and the following determination has been made concerning your request:

___ 1. FULL HARDSHIP DEFERMENT IS GRANTED THROUGH ______ ______.
Mo. Yr.

Interest will continue to accrue during this deferment period. Any change in your employment status or significant change in your financial picture must be immediately transmitted to this office during this time.

___ 2. PARTIAL HARDSHIP DEFERMENT IS GRANTED THROUGH ______ ______.
Mo. Yr.

In reviewing your current financial situation, as indicated on your request, it has been determined that you can make $______ a month remittance until such time that your financial situation improves. Interest will continue to accrue during this partial deferment. Any change in your employment status or significant change in your financial picture must be immediately transmitted to us.

___ 3. YOUR REQUEST FOR HARDSHIP DEFERMENT IS DENIED.

A review of your current fiscal situation indicates that you should be able to make your regular payments without creating any undue hardship. $______ is currently due on your account, which must be received in this office within fourteen (14) days.

Sincerely yours,

Appendix 18

Legislative Changes Affecting the NDSL Program

Provisions of the original statute—National Defense Education Act of 1958, P.L. 85–864, September 2, 1958

1. Eligible—institutions of higher education in a state.
   As defined in Section 103(a) of the Act, "States" include the 48 States plus Alaska, Hawaii, Puerto Rico, D.C., Canal Zone, Guam, and the Virgin Islands.
   The term "institution of higher education" means an educational institution in any State which (1) admits as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such a certificate, (2) is legally authorized within such State to provide a program of education beyond secondary education, (3) provides an educational program for which it awards a bachelor's degree or provides not less than a two-year program which is acceptable for full credit toward such a degree, (4) is a public or other nonprofit institution, and (5) is accredited by a nationally recognized accrediting agency or association or, if not so accredited, is an institution whose credits are accepted, on transfer, by not less than three institutions which are so accredited, for credit on the same basis as if transferred from an institution so accredited. For purposes of title II, such term includes any private business school or technical institution which meets the provisions of clauses (1), (2), (3), (4), and (5). For purposes of this subsection, the Commissioner shall publish a list of nationally recognized accrediting agencies or associations which he determines to be reliable authority as to the quality of training offered.
2. State allotment formula established against which allotments to institutions in each state are made relative to higher education enrollment in each state to the nation as a whole (based on full-time higher education enrollment). (Section 202(a)) (Changed by P.L. 92–318)
3. Preference to "superior" students and those with special preparation or professional plans. (Section 204-4) (deleted by 1968 amendments)
4. $1,000/fiscal year maximum loan per student, $5,000 aggregate maximum loan obligation per student. (Section 205(a) (Changed by 1964 amendments)
5. Only full-time students eligible. (Section 205(b)(1) (Changed by 1964 amendments)
6. Limitation of $250,000 federal capital contribution per institution for the duration of the program.
7. Repayments on an annual basis. (Section 205(b)(2)) (Changed by 1965 amendments)
8. Deferment for up to three (3) years military service. (Ibid)
9. Loan cancellation (ten (10) percent/per year) of up to fifty (50) percent of obligations for teaching service. (Section 205(b)(3)) (Teaching in institutions of higher education added by 1964 amendments)
10. Institutions allowed to borrow their loan-matching share from the federal government. (Section 207)
11. Loyalty oath and "disclaimer" affidavit required of borrower. (Section 1001(f))

1961 Amendments (P.L. 87–293)

1. Deferment for up to three (3) years service in the Peace Corps.

1961 Amendments (P.L. 87–400)

1. Loan period changed from fiscal to academic year (refers to maximum amount a student may borrow in a given period). (Section 205(a))

1962 Amendments (P.L. 87–835)

1. Disclaimer affidavit requirement repealed. Loyalty oath retained as a requirement for receipt of loan. (Section 3, Ref. 1001, NDEA of 1958)

The period beginning with the Amendments of 1963 represents the time of most substantial changes within the program vis-à-vis student entitlements, institutional flexibilities (especially insofar as ceilings on fundings, administrative cost assistance and repayment options) and program growth.

1963 Amendments (P.L. 88–210)

1. "State" includes Samoa. (Section 103(a))
2. Loan cancellation made applicable to full-time teaching service in overseas school of the U.S. Government. (Section 22, Ref. 205 (3))
3. Deferment of obligations permitted for full-time study in "comparable" higher education institutions overseas. (Section 22, Ref. 205(2)(A)(i))
4. Federal capital contribution ceiling raised to $800,000 per institution

1964 Amendments (P.L. 88–665)

1. Graduate students eligible for up to $2,500/year to a maximum of $10,000. Undergraduate students eligible for up to $5,000 maximum. Aggregate obligations for all study not to exceed $10,000. (Section 205)
2. Federal capital contribution ceiling per institution lifted.
3. Loans available for half-time study. (Section 205(b)(1))
4. Deferment for half-time student status up to three (3) years—interest accrues. (Section 205(b)(2))
5. Teaching in higher education eligible for loan cancellation benefits. (Section 205(b)(3))
6. Preference for students in certain areas of preparation and/or study repealed. (Section 204(a))
7. Deferment not to exceed 3 years during which the borrower is in service as a volunteer under title VIII of Economic Opportunity Act of 1964 (VISTA); provided that this clause shall apply to any loan outstanding on the effective date of the Peace Corps Act only with the consent of the then obligee institution.

(NOTE: College Work-Study Program was enacted in 1964 as Title I, Part C, of the Economic Opportunity Act of 1964.)

1965 Amendments—Higher Education Act of 1965 (P.L. 89–329)

1. "Eligible institutions" to include those providing one (1) year training (include schools of nursing) to prepare students for gainful employment in a recognized occupation.
2. Participating institutions permitted to withdraw approved administrative expenses from the fund (not to exceed the lesser of (a) half of actual costs or (b) one (1) percent of outstanding loan principal). (Section 462, Ref. 204(3)) (Changed by 1968 amendments)
3. Other costs reimbursable including litigation and collection. (Ibid)
4. More frequent-than-annual repayments required on loans made after enactment to encourage higher fund turn-over. (Section 463a, Ref. 205(b) (2)) (monthly, bi-monthly or quarterly)
5. Grace period reduced to nine months. (Ibid)
6. No interest accrual during half-time study deferment in USA or at "comparable" foreign institutions. (Ibid)
7. Deferment for less than half-time study at option of lending institution—but interest accrues. (Ibid)
8. Institutions may require minimum repayments at option of institution—$15 a month (Section 464, Ref. 205(b)(2))
9. Institutions may assess late charges at option of institution. (Section 466, Ref. 205)
10. Loan cancellation raised to 15 percent per year in certain elementary and secondary schools with up to 100 percent cancellation possible. (Section 465(a), Ref. 205(b) (2)) Only 25 percent of schools in any state in a given year. Designation by Commissioner upon advice and assistance of State Department of Education, and schools must

be in a district eligible for ESEA Title I funds.

(NOTE: The Higher Education Act of 1965 authorized the Educational Opportunity Grant Program and transferred the College Work-Study Program to OE, thus establishing the "three legged stool" of SFA—EOGP, CWSP and NDSLP.)

1966 Amendments (P.L. 89–752)

1. Loan cancellation of 15 percent per year for teachers of the handicapped. (Section 16a, Ref. 205(b)(3))
2. "State" includes Trust Territory of the Pacific Islands. (Ibid)

1968 Amendments (P.L. 90–575)

1. Reimbursement for administrative expense changed to 3 percent of total loans made during a fiscal year—subject to limitation of $125,000 per year for the three programs (NDSLP, CWSP, EOGP)
2. Amended Section 205(b)(3) of NDEA of 1958 by deleting all teacher cancellation, (Note that this was reinstated by virtue of Title V, Section 501, of the ESEA Amendments of 1969.)
3. Amended Section 103 of Title II of the NDEA of 1958, as amended, to provide participation in program, if appropriation exceeds $190 million, to institutions which:
   a) provide "not less than a six-month program of training to prepare students for gainful employment in a recognized occupation;"
   b) admit "as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such certificate;"
   c) "is legally authorized within such State to provide a program of education beyond secondary education;"
   d) "is accredited by a nationally recognized accrediting agency or association approved by the Commissioner;"
   e) includes in its agreement assurance "that the availability of assistance to students at the school . . . has not, and will not, increase the tuition, fees or other charges to such students."
4. As a result of the above, commencing with the academic year 1969–70, teachers in such schools may receive partial cancellation of their loans at the 10 percent rate.
5. Elimination of requirement of special consideration for students of superior academic background.
6. Waiver of oath of allegiance requirements for residents of the Trust Territory of the Pacific Islands.

1970—Elementary and Secondary Education Act Amendments of 1970, (P.L. 91–230)

1. Amended Section 205(b)(5) of the NDEA of 1958 to provide cancellation on loans made after April 13, 1970, date of enactment of the Amendments, for each year of military service after June 30, 1970, at the yearly rate of 12½ percent, not to exceed 50 percent of the borrower's total loan.

1972—Education Amendments of 1972, (P.L. 92–318)

The Education Amendments of 1972 established a successor program under Title IV, Part E, of the Higher Education Act, which "is and shall be deemed to be, a continuation of the program authorized by Title II of the National Defense Education Act of 1958." The Office of Education named the successor program the National *Direct* Student Loan Program, to distinguish it from the previous National Defense Student Loan Program. NDEA Title II was not repealed as such (except for Section 206), and benefits, repayments and cancellation provisions pertaining to loans made prior to July 1, 1972, were not changed. The following provisions or differences should be noted:

1. Section 462(a)(1) of Title IV, Part E changes the allotment formula for appropriated funds, to provide that 90 percent are allotted by formula and 10 percent by (a) a hold harmless to FY 1972 and (b) special regulatory criteria.
2. Title IV-E does not provide for cancellations at 10 percent for teaching service in public or nonprofit elementary and sec-

ondary schools, or in institutions of higher education.

3. The provisions for cancellation for service in designated low income schools (with changes in criteria for selection) and cancellation for teaching of the handicapped were retained. Borrowers may cancel the entire amount of their loans at a progressively increasing rate over a period of 5 years.
4. The provision permitting cancellation for military service was changed to require that such service must be performed in "an area of hostilities."
5. Cancellation for service as a full-time member of Head Start at the rate of 15 percent annually was established.
6. Cancellation for service as a full-time staff member of Head Start at the rate of 15 percent annually was established, for *Direct* loans only.
7. New aggregate loan limitations ($2,500 through the first two years, $5,000 through all undergraduate study, $10,000 through completion of graduate or professional study) replaced the former annual loan maximum.
8. A provision was added for assignment to the Office of Education of loans in default for more than two years, despite the exercise by the institution of due diligence in their collection.
9. An affidavit of educational purpose is required on all National Direct Student Loans granted by institutions.
10. On *Direct* loans, the federal government shall repay to the institution the aggregate amount of loan cancellation (teacher and military) to the institution to be redeposited into the fund. (The government restores only the *institutional* share of amounts cancelled on *Defense* loans.)
11. In determining the need by a veteran for a Direct loan, an institution shall not take into account the income and assets of his or her parents.
12. Repayment on a loan may be required at no less than *thirty* dollars monthly at the option of the institution.
13. Any student granted a loan who thereafter fails to maintain "good standing" shall upon notice to the Commissioner be suspended, and further payments to, or on behalf of, such student shall not be made until such student regains "good standing."
14. Does not include premium for cancellation in the event of the borrower's death or permanent and total disability.

1976—Education Amendments of 1976, (P.L. 94–482)

1. Section 463(a) of the Act is amended by changing the default definition to read (A) one hundred and twenty days in the case of a loan which is repayable in monthly installments, or (B) one hundred and eighty days in the case of a loan which is repayable in less frequent installments.
2. Section 464(c)(1)(A) of the act now allows repayment to begin earlier than nine months after the borrower leaves school if the borrower so requests.
3. Section 464(c)(1)(C) of the Act allows the institution to permit a borrower to pay less than $30.00 per month for a period of not more than one year, where necessary to avoid hardship to the borrower, but without extending the ten year maximum repayment period.
4. Section 464(c)(1) of the Act restores the provision that the liability to repay the loan shall be cancelled upon the death of the borrower, or in the event the borrower becomes permanently and totally disabled. This change is retroactive to June 23, 1972.
5. Section 493 of the Act increases the Administrative allowance from 3% to 4%. The maximum allowance was increased from $125,000 to $325,000. This additional allowance is to be used first to carry out informative dissemination activities to prospective students and to enrolled students who request information regarding financial assistance. The balance may then be used for additional administrative costs as the institution determines necessary.
6. Due diligence requires an institution to provide three notices during grace period.
7. Institutions must submit to the Commissioner of Education a report of their defaults twice each year.
8. A new delinquency rate definition is established having the amount of principal "in

default" but not uncollectible divided by the amount paid, cancelled, or past due but not uncollectible. No loan currently in deferred status is considered past due, even if it was past due before the beginning of the deferment period.

9. Defines those loans which may be written off to HEW as loans on which the institution has performed due diligence and which remain uncollectible at the institution. "Uncollectible" means a loan in default for two years or more.

3

Guaranteed Student Loans

Introduction

Authority

The Guaranteed Student Loan Program (GSLP) is administered by the Department of Health, Education, and Welfare, Office of Education, Bureau of Student Financial Assistance, Office of Guaranteed Student Loans, Washington, D.C. 20202. The regulations for the GSL program (45 C.F.R., Part 177) were authorized by Title IV, Part B of the Higher Education Act of 1965, as amended, mandating postsecondary educational assistance in the form of low-interest loans to students. These benefits are available through four different sources of guarantee agencies:

1. *State Guarantee Agencies*——Loans are obtained by students from banks, credit unions, savings and loan associations, other lending institutions, and, most recently, through participating educational institutions.
2. *State Direct Loan Programs*——Some states have now become direct lenders and make loans to students without the student having to go through a lending institution. In most such cases, the school becomes an agent of the state, as the state never actually has direct contact with the student.
3. *Private Nonprofit Agencies*——Although there may be others, the best known agency of this kind is the United Student Aid Fund.
4. *Federal Insured Student Loans*——The F.I.S.L. Program was, in the beginning, the largest of the guaranteed programs. However, more and more emphasis is being placed on states becoming the guarantee agencies. This change is being brought about because the states have had greater success in controlling delinquencies.

The term "guaranteed" refers to the fact that the lender will be guaranteed payment of the loan if in compliance with regulations. If a borrower defaults in payment, the guarantee agency will reimburse the lender if certain due diligence requirements are met by the lender. Lenders are also reimbursed by the agency in the event of death, disability, or bankruptcy of the borrower.

It should be remembered that there are four different kinds of guarantee agencies. Each come under the broad terms of the 1965 Higher Education Act, but each may alter its guidelines for both lending and collecting. Since it would be impossible to include each state program, this chapter on Guaranteed Student Loans will, for the most part, be in accordance with the rules (and proposed rules) set down by the Office of Education's Guaranteed Student Loan Program. In those states which have their own guarantee agencies, reference should be made to those loan guidelines.

Additional direction on various aspects of the program may be found in written bulletins issued by OGSL to participating lenders and schools.

Interest and Special Allowance

The interest rate for Guaranteed Student Loans is 7 percent per year on the unpaid balance. As an inducement to lenders to participate in making loans available to students, a special allowance is also offered in addition to the 7 percent interest. This special allowance has a ceiling of 3 percent (5 percent beginning 10/77) and is established by statutory formula with respect to each three-month period ending March 31, June 30, September 30, and December 31. Therefore, the return to the lender is between 7 and 10 percent (12 percent beginning 10/77).

The federal legislation provides that all students with an adjusted family income of less than $25,000 will be eligible for federal interest benefits. This means that the government will pay the interest for the student through the end of the grace period. Interest will also be paid by the government during periods of additional student status, and during periods of authorized deferment, such periods not to exceed three years while the borrower is in active military service, in the Peace Corps, or in VISTA—or up to one year for unemployment. Students with adjusted family incomes of $25,000 or more may qualify for federal interest benefits on the basis of financial need.

Loan Maximums

Loan maximums which are permitted by federal law are $2,500 per year ($7,500 total cumulative) for undergraduates and vocational students, and $5,000 per year ($15,000 total cumulative including undergraduate) for graduate students. Loan maximums are based on academic year.

Possibly as early as October 1, 1977, there will be a new guaranteed student loan program for health professions. See Appendix 1 (page 115) for an HEW "Fact Sheet" on this program.

The Making of a Loan

Procedure

There are four parties involved with each guaranteed loan:

1. Borrower;
2. Lender;
3. Educational Institution; and
4. Guarantee Agency.

Although the procedure will vary from institution to institution, the following is a typical system for the granting of a loan:

1. The student completes an application and returns the application to the Financial Aid Office (educational institution).

2. The Financial Aid Office determines if the student is enrolled as at least a half-time student and is in good standing or accepted for enrollment. The office will also do a needs analysis, if necessary, and determine if the student qualifies for federal interest benefits.

3. The application then is forwarded to the

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Business Office (Lender) for its approval as a lender. A student applying for the first loan at the institution must provide a statement that he or she was denied a loan by a non-school lender. The lender has the right to change the amount of the award and, therefore, must also indicate the student's eligibility for interest benefits (see Appendices 2 and 3, pages 116 and 118).

4. The application and any supplementary information or forms are then sent to the guarantee agency for its guarantee or insurance.

5. The guarantee agency notifies the lender of approval. The lender prepares the promissory note (see Appendix 4, page 119) and a check for disbursement.

6. The student is notified, comes in, signs the note, and receives the check.

Pre-Loan Counseling

Sometime during the application process (usually at the lender stage prior to disbursement), the student should be required to read and sign a "Statement of Borrower's Rights and Responsibilities." This statement should cover the options available under the program and include the requirements expected of the borrower (see Appendix 5, page 120).

The staff member conducting this portion of the program must be sure the borrowers understand their obligations. A copy of the Statement of Borrower's Rights and Responsibilities should be given to the borrower with the original being placed in the lender's file. A complete understanding by the borrower that this is a loan which must be repaid is a key to successful collection in the future.

Prudent Lending Judgment

It is expected that all loans granted will be collected. Therefore, the lender must use prudent lending judgment. If it is determined that there is sufficient evidence to indicate that the applicant will not exercise reasonable care in completing repayment of the loan, the loan request should be denied. Evidence of an applicant's lack of care may include:

1. Defaults on previous loans;
2. Bankruptcy;
3. Repossessions of tangible property for reason of nonpayment;
4. Excessive and existing indebtedness beyond present and anticipated means of payment;
5. Incarceration for a felony; or
6. Physical or mental disability to a degree that employment and repayment may not reasonably be expected.

If a loan is denied, the applicant should be advised, in writing, of the reason for the denial as provided by the Equal Credit Opportunity Act and implementing regulations (12 C.F.R. 202.9).

In-School Servicing of the Accounts

Records Check

Once the borrower has obtained the loan, a check should be made of the enrollment records on at least a semi-annual basis. If it appears that the expected separation date is wrong, a new date should be determined and the guarantee agency notified. If it is found that the borrower is no longer enrolled, the date of separation must be determined and a payout note prepared.

Information Update

It is not unusual for borrowers to continue to receive loans as long as they remain in school. New or updated information should be obtained each time to aid in tracing borrowers if they should become "skips" after leaving school. Each lender should review the available information to determine if it is sufficient to enable an effective follow-up. Obtaining the following information from each borrower will enable a lender to locate most "lost" accounts:

1. Borrower's name;
2. Borrower's local address;
3. Borrower's home address;
4. Borrower's home telephone number;
5. Borrower's birth date;
6. College and major;
7. Expected graduation date;
8. Social Security number;
9. Spouse's name;
10. Spouse's employment;
11. Borrower's drivers license number and state;
12. Borrower's part-time employer;
13. Class (Fresh., Soph., Jr., Sr., Grad.);

14. Parents' name;
15. Parents' address and telephone number;
16. Parents' employer's name;
17. Parents' employer's address;
18. Brothers and sisters over the age of 18, and addresses of such; and
19. Borrower's insurance companies and address.

(See Appendix 6, page 121 for a sample Personal and Confidential Information Sheet to gather this information.)

The Exit Interview

Purpose

Guaranteed Student Loans, unlike other loans, require the borrowers to sign a payout note or to provide a repayment schedule sometime prior to the due date of the promissory note. The promissory note, which is used in obtaining the loan, has a due date nine months from the time the borrower expects to graduate. Also, the terms of the promissory note would have the full amount due at that time. The payout note provides for monthly payments over an extended period (see Appendix 7, page 122).

Responsibility

The best time to get a payout note signed is during the borrower's last term in school. This "exit interview" should be conducted by the lender (normally in the Business Office) since it was the lender who prepared the notes, disbursed the money, and will be responsible for collection. The interviewer must be a full-time member of the staff, qualified to discuss terms, conditions, repayment, forbearance, and student's rights and responsibilities.

Subject Matter To Cover

The following should be covered in the exit interview:

1. Make certain the borrower fully understands the terms and conditions of the loan. A signed statement to this effect should be in the lender's file.

2. Arrange the repayment schedule and agree upon the date of the first monthly payment. This date would normally be between nine and twelve months after leaving school. However, if the borrower requests to do so, the first payment may be before nine months.

3. Obtain clear agreement on the amount borrowed and the amount due each month. Each note should be available for inspection so the borrower will clearly know the exact amount received. Minimum payments are $30.00 per month ($360.00 per year), but if this imposes a hardship on the borrower, payments may be less with the mutual consent of both the lender and the borrower. In the case of a husband and wife both having Guaranteed Loans, each loan is to be treated as a single entity. Two payout notes will be required, but a minimum payment combination of $30.00 total per month would be possible.

4. Prepare and have the borrower sign the payout note and a Truth in Lending Disclosure Form (see Appendix 8, page 123).

5. Review skip-tracing information, or at least make sure that someone other than the borrower is listed with an address and telephone number.

6. Direct the borrower's attention to the advantages of prepayments during the grace period. (These are not, and may not, be required.)

7. Make sure the borrower receives a copy of the payout note.

8. Inform borrowers of the billing system to be used to assure them that statements will be sent or that coupon books will be provided.

Every effort should be taken to insure "in person" exit interviews. This pertains to "drop outs" as well as graduates. If the interview cannot be conducted in person, a telephone call clearly explaining the borrower's obligations should be made. As a last resort, the exit interview may be completed by mail. In either case, the borrower must be provided with a payout note which must be signed and returned for inclusion in the lender's file.

The original promissory note must not be surrendered to the borrower until the loan is paid in full. At that time, both the promissory note and the payout note must be returned to the borrower. In establishing repayment terms, the current and potential income and financial obligations of the borrower should be taken into consideration, with the schedule of payments designed to retire the loan obligation as soon as possible without leading to default by the borrower due to inability to make payments.

The Billing Process

Due Diligence

Reasonable care and diligence must be exercised in the collection of Guaranteed Student Loans, not only with regard to borrowers, but with regard to endorsers whose signatures were obtained as security. This means that a lender must utilize collection practices no less extensive and forceful than those generally used by commercial lenders for loans of comparable amounts which are not covered by loan insurance, except that litigation for collection purposes is not required (although it is authorized) and collection is not required in cases of death or permanent disability of the borrower.

Response must be made on a timely basis to written inquiries and other communications from the borrower and any proper endorser. The lack of a timely response will give an indication to a borrower of a poorly run program and will foster delinquencies.

Grace Period Notice

As a courtesy to the borrower, and as an aid in preparing for the billing process, a grace period notice should be sent to the borrower at least 30 days prior to the date on which the grace period ends. This is a good time to again remind borrowers of their rights and obligations and of the fact that the chance to make interest-free payments is about to end. Borrowers should also be informed of when the first payment will be required and how much each payment will be. If the notice is returned without receipt by the borrower, there will still be an opportunity to locate a correct address before payments begin.

First Statement

Most borrowers pay their accounts after receiving a statement; Guaranteed Student Loan borrowers are no different. Therefore, it is important to send a statement to the borrower 30 days prior to the first payment due date. The statement should include the following information and allow the borrower to keep the information portion and return a stub with his or her name and account number:

1. Name and address;
2. Account number;
3. Total amount borrowed;
4. Total principal paid;
5. Total interest paid;
6. Outstanding balance;
7. Current principal due;
8. Current interest due;
9. Past due principal (if any);
10. Past due interest (if any);
11. Total amount due for the month;
12. Total amount due if payment in full;
13. Finance charge stated in percentage amount;
14. Date payment due;
15. Date of last activity;
16. To whom checks should be made payable; and
17. Address where the payment should be sent.

If a window return envelope is used, a borrower is almost forced to return the lender's portion of the statement. This is important as a means of making sure that payment is credited to the right account.

Follow-Up

When borrowers become delinquent in making a payment, the lender must remind them of repayment obligations through a series of statements, letters, telephone calls, or personal contacts at intervals of not greater than ten days and commencing not later than ten days after the payment is due. Each contact should become progressively more firm in tone. If such efforts are unsuccessful, they must be repeated with respect to any proper endorser on the loan.

The continued mailing of a series of statements or letters to the same address, when it becomes clear that the borrower (or endorser) no longer resides there, is not due diligence. A lender must attempt to ascertain the correct address through the use of normal commercial collection techniques, including contacting any endorser or other individual named on the borrower's loan application and any other loan documents in the lender's possession.

60 Days Delinquent

If the loan becomes 60-days delinquent, the lender must request pre-claim assistance from the guarantee agency. If a loan ultimately goes into default, a default claim will not be honored unless pre-claim assistance had been requested (see Appendices 9, 10 and 11, pages 124, 125, and 126). Such assistance will result in attempts by the guarantor to locate the borrower (if the address is unknown), and in letters being sent to the borrower and other sources in order to persuade the borrower to begin repayment.

The lender will be advised in writing of these efforts and must notify the guarantor of the success or failure of such pre-claim assistance.

90 Days Delinquent

If the loan becomes 90-days delinquent, a final demand letter must be sent to the borrower and the endorser. This letter should be registered or certified and should contain sufficient information to inform the borrower of the consequences of not responding. The fact that the loan will be turned over to the government for collection will, in many cases, prompt the borrower to respond. The borrower must be given at least 30 days to respond to this final letter. (If there is no information as to the borrower's or endorser's current address, a final demand letter is not required.)

120 Days Delinquent

At approximately 120 days, a default claim may be filed (see Appendices 12 and 13, pages 127 and 128). Once this stage of delinquency has been reached, a default claim should be filed as soon as possible. The sooner the guarantee agency receives the claim, the better chance it has to recover the debt. Proposed regulations would require default claims to be filed within 60 days after it has been determined that the loan is in default, or that the borrower died or is permanently disabled. They would also require filing within 30 days after receiving notification of the first meeting of creditors in the case of a bankruptcy.

Required Documentation

When filing a default claim, a lender must be able to prove due diligence has been performed. Therefore, a lender must maintain both a payment history and a collection history for each borrower in order to keep track of the borrower's status and have adequate documentation supporting a default claim. The payment history must show the date and amount of each payment received from, or on behalf of, the borrower over the life of the loan(s). Such payment history must also indicate the amount of each payment which is attributable to principal and interest, respectively. The collection history must show the date, nature, and result of each contact made with the borrower (and any proper endorser) for collection of a delinquent loan. Copies of all correspondence addressed to, or received from, the borrower and endorser must be included.

Interruption of the Billing Process

There are various reasons why a borrower's normal billing status may be interrupted. When this happens, there are steps to be taken by the lender to document the fact that the borrower's account is not delinquent even though payments have stopped. For the Guaranteed Student Loan Program, there are three main reasons for interruption of the billing process.

Cancellation

The first of the three is "cancellation." There are three reasons for granting cancellation: death, disability, and bankruptcy.

1. *Death*——If a borrower dies, the obligation to make any further payments of principal and interest on the guaranteed loan is cancelled. The lender may not attempt to collect on the loan from an endorser. The lender may make a determination that a borrower has died on the basis of a death certificate or such other official proof as is conclusive under applicable state law. If a death certificate or such other official proof is not available, the borrower's obligation on a loan may be cancelled on account of death only upon a determination by the guarantee agency on the basis of such other evidence of death as it may deem conclusive. The lender shall return any payments received from the estate of the borrower, or paid on behalf of the borrower, after the determination of death is made. The lender is reimbursed by filing a death claim and providing the necessary evidence of death. The claim must be filed within 60 days after the lender determines that the borrower is deceased.

2. *Disability*——If the borrower becomes "totally and permanently disabled" the obligation to make any further payments of principal or interest on guaranteed loans is cancelled. "Totally and permanently disabled" is defined as being unable to engage in any substantial gainful activity because of a medically determinable impairment which is expected to con-

tinue for a long and indefinite period of time, or result in death. The lender may not attempt to collect on the loan from the borrower or an endorser once there is reason to believe that a borrower has become totally and permanently disabled. The guarantee agency shall determine whether a borrower has become totally and permanently disabled on the basis of current (i.e., no older than four months prior to the date of submission of the request for cancellation) medical evidence, supplied by the lender (obtained from the borrower or the borrower's representative) on forms provided or approved by the guarantee agency. Any payments received by the lender after the lender has reason to believe that the borrower is totally and permanently disabled, but before the guarantee agency has made such a determination, must be retained by the lender and later returned to the borrower if it is determined that the borrower is totally and permanently disabled. Any payments received by the lender from, or on behalf of, the borrower, after the determination has been made, must also be returned. The lender may be reimbursed by filing a disability claim and providing documentation to substantiate the cancellation. The claim must be filed within 60 days after the lender is notified by the guarantee agency of its determination that the borrower is totally and permanently disabled (see Appendix 14, page 129).

3. *Bankruptcy*——When a borrower files for bankruptcy further pursuit of collection is not permitted. However, the lender must file a claim with the bankruptcy court stating the amount of the outstanding debt, including interest. If the lender has a legal basis for objecting to the discharge of the debt, a statement to that effect must also be filed with the court. To be reimbursed by the guarantee agency, a lender must file a bankruptcy claim which must be accompanied by copies of a proof of claim filed by the lender with the bankruptcy referee and any other pertinent correspondence directed to, or received from, the referee in bankruptcy by the lender, and by a statement as to any objectives to the discharge in bankruptcy of which the lender may be aware. If, after the lender has filed a bankruptcy claim which has been paid or is pending, the lender determines that the borrower has been adjudicated a bankrupt, it shall not file a proof of claim with the bankruptcy referee but shall promptly forward the notice of the first meeting of creditors to the guarantee agency. Because timing is of utmost importance in bankruptcy proceedings, a claim must be filed with the guarantee agency within 30 days after the receipt by the lender of the notice of the first meeting of creditors from the bankruptcy referee.

Deferment

The second of the three reasons for interrupting repayment is deferment. Deferments under the GSL program begin at the end of the 9–12 month grace period. There must be documentation of the validity of the request for deferment. There are five types of deferments: student status, military, Peace Corps, VISTA (see Appendix 15, page 130) and unemployment.

1. *Student Status*——If a borrower, after leaving at least half-time study at an eligible institution and having used up the grace period, should return to the same or another institution of higher education to pursue a full-time course of study, payments of principal need not be made by the borrower. Interest continues to accrue and must be paid by the borrower unless he or she is eligible for interest benefits, in which case interest will be paid by the government. Repayment would resume the month following the borrower again leaving full-time student status.

If the borrower ceases to be at least a half-time student and returns to the same or another eligible institution of higher education within the grace period, he or she needs only to enroll as at least a half-time student to qualify for deferment. In this case, the borrower's account is to be treated as though the borrower never left school and the first payment would be due nine to twelve months after the borrower again ceased to be at least a half-time student.

In the first case, a deferment form or other documentation would be completed by the borrower indicating the period of student status. The form would then be certified by the Registrar's Office and returned to the lender. In the second case, a deferment form or other documentation would not be required since the grace period would not have expired.

2. *Military*——A borrower is eligible for a deferment, not in excess of three years, while a member on active duty in the armed forces of the United States (Army, Navy, Air Force, Marine

Corps, or Coast Guard). There must be documentation of the validity of the request for deferment. A deferment form should be completed by the borrower, certified by the commanding officer, and returned to the lender before the deferment can be granted. Other documentation (e.g., a written communication from a responsible official or a written communication from the borrower) indicating a military address is also acceptable. Repayment will resume immediately upon release from active duty or at the end of the three-year period, whichever comes first. During this deferment, interest will continue to accrue and must be paid by the borrower or billed to the government if the borrower qualifies for interest benefits.

3. *Peace Corps*——A borrower is eligible for a deferment, not to exceed three years, while in service as a volunteer under the Peace Corps Act. A deferment form should be completed by the borrower, certified by the Peace Corps Office, and returned to the lender before the deferment can be granted. Other documentation is also acceptable. Repayment will resume immediately upon the completion of Peace Corps Service or the end of the three-year period, whichever comes first. Interest will continue to accrue and must be paid by the borrower or billed to the government if the borrower qualifies for interest benefits. '

4. *VISTA*——A borrower is eligible for a deferment, not to exceed three years, while in service as a full-time volunteer under Title I of the Domestic Volunteer Service Act of 1973. The proper deferment form should be completed by the borrower, certified by the VISTA Office, and returned to the lender before deferment can be granted. Repayment will resume immediately upon the completion of VISTA service or at the end of the three-year period, whichever comes first. Interest will continue to accrue and must be paid by the borrower or billed to the government if the borrower qualifies for interest benefits.

5. *Unemployment*——A borrower is eligible for a deferment during a single period, not in excess of twelve months, while he or she is actively seeking and unable to find full-time employment. This deferment is to be granted at the borrower's request, but must be substantiated by documentation of the unemployment and the fact that permanent, full-time employment is being actively sought. Documentation will include a certified statement by the borrower setting forth certain details of the active effort being made to seek employment and an agreement to inform the lender when employment begins.

Since the deferment is for a single period—that is, the borrower can take advantage of the provision only once, the deferment should be granted for the full period but terminated as soon as employment begins, even if it occurs before the maximum 12-month deferment period has elapsed. Failure to provide the required documentation would allow the lender to terminate the unemployment deferment.

Interest will continue to accrue and must be paid by the borrower or be billed to the government if the borrower qualifies for interest benefits.

Where repayment of a loan is deferred because of student, military, Peace Corps, VISTA, or eligible unemployment status, the period of deferment shall not be included in the minimum and maximum periods allowed for repayment of the loan.

Forbearance

The third reason for interrupting repayment is forbearance. A borrower who is experiencing difficulty in repaying and does not qualify for a regular deferment may be granted forbearance. A lender is encouraged to grant forbearance during temporary hardship when the borrower is willing but unable to pay, e.g., when unemployment (beyond eligible deferment), health, or other personal problems affect the borrower's ability to make current payments. Such a forbearance must be agreed upon in writing between the borrower and the lender and must be approved by the guarantee agency. However, forbearance is not to be used as a means of curing a delinquent or defaulted account. Interest continues to accrue during a forbearance and must be paid by the borrower. Interest cannot be billed to the government during forbearance even if the student qualifies for interest benefits.

The guarantee agency may enter into an agreement with the lender to permit the lender, without further approval, to exercise forbearance in accordance with the following terms:

1. The lender must reasonably believe that the borrower intends to, and will, repay his or her loan, but is financially unable to make

current payments in accordance with the terms of the loan note. The basis for this belief must be reduced to writing and maintained in the lender's records.

2. The agreement between the borrower and the lender must be made on a form provided or approved by the guarantee agency and must bear the borrower's signature as well as that of an authorized official of the lender.

3. The borrower may be permitted to defer payments altogether, or to make payments of principal and interest at a rate less than that required by the terms of the payout note or the $360.00 minimum payment, for a period of not more than six months where the lender is a participating institution, an insurance company, a pension fund, or an agency or instrumentality of a state; or for a period of not more than one year in the case of other lenders.

4. If the agreement between the borrower and the lender provides for deferment of all payments for a period of more than two months, the lender must contact the borrower at least every two months during the period of forbearance in order to remind the borrower of his or her outstanding obligation to repay.

5. The agreement between the lender and the guarantee agency may be terminated by the guarantee agency upon a finding that the lender has failed to comply with these provisions. If a lender, having such an agreement with the guarantee agency, determines that a borrower intends to, and will, repay the loan but is financially unable to make payments in accordance with the terms of the loan note, at the conclusion of the six months of forbearance authorized in (3) above the lender may request approval from the guarantee agency for an extension of the period of forbearance. An extension will not be approved for a period in excess of six months, but further extensions may be applied for in the same manner as the first one.

The Collections Process

Defaulting a Loan

The collections processes in the other chapters of this manual refer to activity after an account has been determined to be in default for 120 days (or 180 days when payments are due less frequently than monthly). The Guaranteed Student Loan Program has specific requirements which a lender shall follow when an account reaches this point. Unless a forbearance can be granted under the terms set forth in the previous section, or unless legal action is taken as discussed in the section that follows, the account must be defaulted to the guarantee agency within 60 days after a loan has been determined to be in default.

With one exception, the guarantee agency may determine claims filed after these periods to be ineligible for payment. If the lender reasonably determines that a loan in default may still be collectible after the date for filing a default claim, it may refrain from filing for a reasonable time after that date if documented collection efforts are continued. In this event, the lender must, if the default is not corrected, file a default claim with the guarantee agency within 60 days after it is determined that the loan is uncollectible, but not later than six months after the original default date.

Litigation

Upon default by a borrower and a determination by the lender that the borrower has the ability to repay the loan, even though collection efforts required by due diligence have been unsuccessful, the lender may bring suit against the borrower (and against any proper endorser) to recover the amount of the unpaid principal and interest together with reasonable attorney's fees, provided that prior to bringing suit the lender has: (1) obtained the prior approval of the guarantee agency, and (2) provided notice to the borrower that such approval has been obtained, that suit will be brought unless the borrower corrects the default (or, if the lender so demands, repays the loan in full), and that the lender will seek a judgment under which the borrower will be legally liable for payment of reasonable attorney's fees in addition to the unpaid principal and interest. Such notice must be mailed to the borrower by certified mail, return receipt requested. The lender may bring suit if the borrower does not meet the terms of the lender's demand for payment within ten days following the notice's date of delivery, as indicated on the receipt. Payments received by a lender in satisfaction of a judgment may be first applied to reasonable attorney's fees, whether or not the judgment makes provision for such fees. The guarantee agency will normally approve a request by a lender for authorization to bring suit if it is satisfied that the borrower has the ability to repay the loan and that collection efforts required under due diligence have been carried out.

Uncollectible Loans

Collection Agencies

Lenders are guaranteed full reimbursement of at least the principal (some guarantee agencies include interest) as long as they fulfill the requirements of due diligence and make timely filing of default claims. With this type of a guarantee, the use of outside collection agencies by the lender would not be advisable. In most states, lenders can only refer the actual amount outstanding to a collection agency which in turn would withhold a percentage as its commission for collecting. Unless the lender is willing to accept the cost of using a collection agency, loans should be defaulted to the guarantee agency in accordance with the terms of the act.

Default Filing Requirements

A claim for reimbursement for loss on a guaranteed loan must be filed on a form provided by the guarantee agency. The claims may be filed at such time as the lender:

1. Determines that the loan is in default as prescribed by due diligence;
2. Determines that the borrower has died;
3. Is notified that the guarantee agency has determined the borrower to be totally and permanently disabled;
4. Determines that the borrower has been adjudicated a bankrupt.

Default Documentation

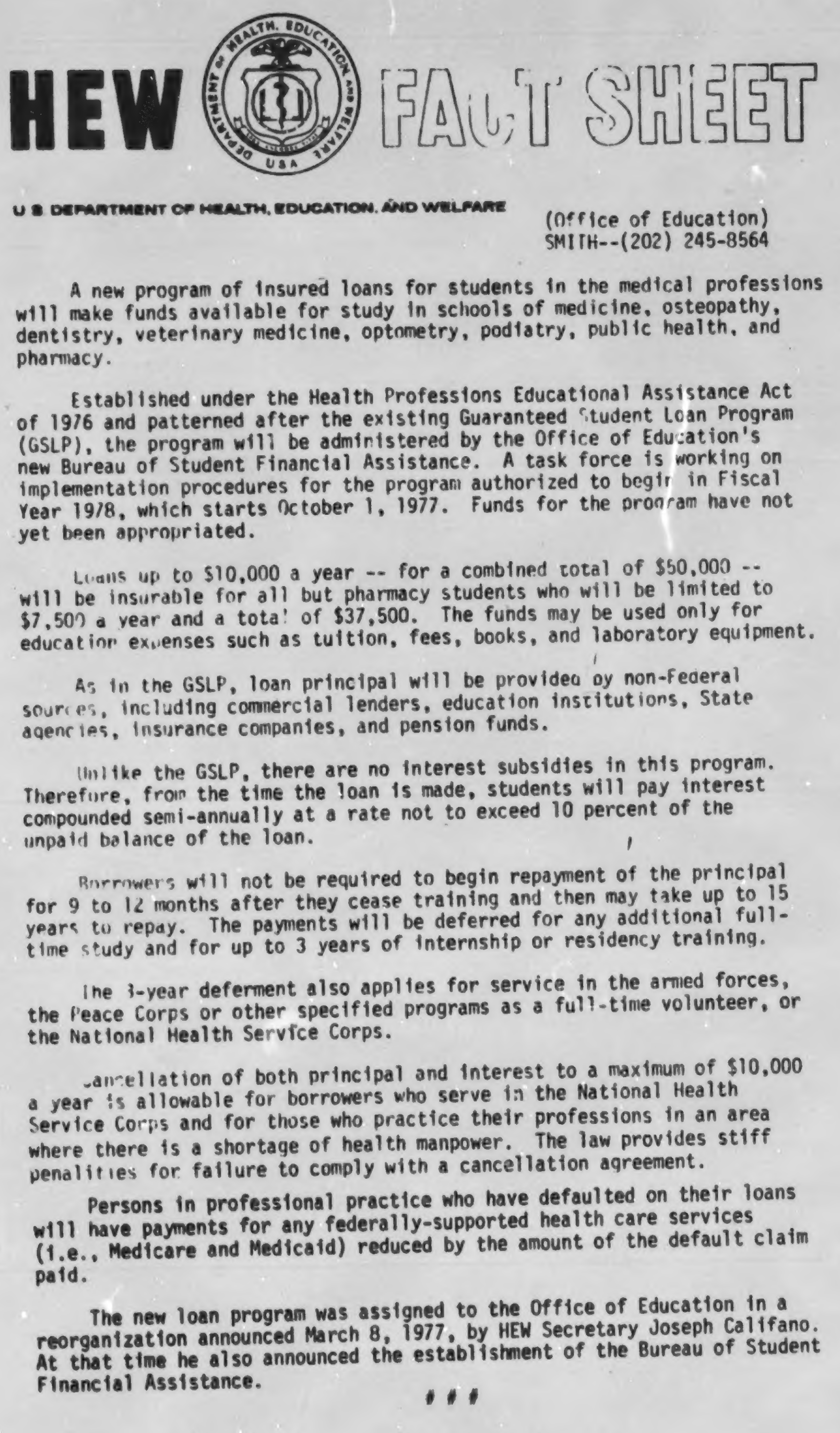
The claim must be accompanied by such documentation as is required to prove due diligence. This will include, but will not be limited to, the loan note, the loan application, and the original (or a copy) of all documents and communications maintained as required by due diligence. Except for cases of death, disability, or bankruptcy, the lender, when filing the default claim, must on a form provided by the guarantee agency complete an affidavit to the effect that, to the best of the lender's knowledge and belief, the borrower is not entitled to deferment of the repayment of the principal as provided for in the case of student, military, Peace Corps, or VISTA status.

Assignment of Rights

Payment of a claim will be contingent upon receipt of an assignment to the guarantee agency of the lender's right, title and interest in the note to which the claim is filed. In the case of a bankruptcy, a copy of an assignment of the proof of claim to the guarantee agency, filed with the bankruptcy referee, will also be required.

FOR FURTHER INFORMATION. . . . see *Manual for Lenders: Federal Insured Student Loan Program*, available from HEW, Office of Education, Bureau of Student Financial Assistance, Office of Guaranteed Student Loans, Washington, D.C. 20202.

Appendix 1



HEW FACT SHEET

U S DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

(Office of Education)
SMITH--(202) 245-8564

A new program of insured loans for students in the medical professions will make funds available for study in schools of medicine, osteopathy, dentistry, veterinary medicine, optometry, podiatry, public health, and pharmacy.

Established under the Health Professions Educational Assistance Act of 1976 and patterned after the existing Guaranteed Student Loan Program (GSLP), the program will be administered by the Office of Education's new Bureau of Student Financial Assistance. A task force is working on implementation procedures for the program authorized to begin in Fiscal Year 1978, which starts October 1, 1977. Funds for the program have not yet been appropriated.

Loans up to $10,000 a year -- for a combined total of $50,000 -- will be insurable for all but pharmacy students who will be limited to $7,500 a year and a total of $37,500. The funds may be used only for education expenses such as tuition, fees, books, and laboratory equipment.

As in the GSLP, loan principal will be provided by non-Federal sources, including commercial lenders, education institutions, State agencies, insurance companies, and pension funds.

Unlike the GSLP, there are no interest subsidies in this program. Therefore, from the time the loan is made, students will pay interest compounded semi-annually at a rate not to exceed 10 percent of the unpaid balance of the loan.

Borrowers will not be required to begin repayment of the principal for 9 to 12 months after they cease training and then may take up to 15 years to repay. The payments will be deferred for any additional full-time study and for up to 3 years of internship or residency training.

The 3-year deferment also applies for service in the armed forces, the Peace Corps or other specified programs as a full-time volunteer, or the National Health Service Corps.

Cancellation of both principal and interest to a maximum of $10,000 a year is allowable for borrowers who serve in the National Health Service Corps and for those who practice their professions in an area where there is a shortage of health manpower. The law provides stiff penalities for failure to comply with a cancellation agreement.

Persons in professional practice who have defaulted on their loans will have payments for any federally-supported health care services (i.e., Medicare and Medicaid) reduced by the amount of the default claim paid.

The new loan program was assigned to the Office of Education in a reorganization announced March 8, 1977, by HEW Secretary Joseph Califano. At that time he also announced the establishment of the Bureau of Student Financial Assistance.

# # #

4/8/77

Appendix 2

FORM APPROVED. O M B NO 51 R0649

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D C 20202

FOR OE USE ONLY

STUDENT APPLICATION FOR FEDERALLY INSURED LOAN

(Title IV-B, P.L. 89-329, Higher Education Act of 1965, as amended)

PLEASE READ INSTRUCTIONS BEFORE COMPLETING THIS FORM.

PART A - IDENTIFICATION DATA *(To be completed by student)*

Amount of Commitment $

LOAN COMMITMENT EXPIRES ON DATE SHOWN IN ITEM 37.

1. LAST NAME - FIRST NAME - MIDDLE INITIAL: Williams, Annette L.

2. SOCIAL SECURITY NUMBER: 877 70 5527

3. PERMANENT ADDRESS *(Number, street or RFD)*: 4922 Central Avenue

4. CITY: Newton

5. STATE: Colorado

6. ZIP CODE: 81497

7. BIRTH DATE *(Use figures)*: MONTH 07 DAY 27 YEAR 19 56

8. SEX *("X" one)*: (1) ☐ MALE (2) ☒ FEMALE

9. RACE OR ETHNIC GROUP *("X" one) (See instructions)*: (1) ☒ AMERICAN NEGRO (2) ☐ AMERICAN INDIAN (3) ☐ ORIENTAL AMERICAN (4) ☐ SPANISH SURNAMED AMERICAN (5) ☐ ALL OTHERS

10. MARITAL STATUS *("X" one)*: (1) ☒ NEVER MARRIED (2) ☐ MARRIED (3) ☐ OTHER

11. U.S. CITIZEN OR NATIONAL *(If "NO" see instructions)*: (1) ☒ YES (2) ☐ NO

12. MAJOR COURSE OF STUDY: Sociology

13. AREA CODE AND TELEPHONE NUMBER: (303) 398-7445

14. NAME OF PARENT OR GUARDIAN: James E. Williams

15. PERMANENT ADDRESS OF PARENT *(Number, street, city, State, ZIPcode)*:
4922 Central Avenue
Newton, Colo. 81497

16. NAME OF NEAREST RELATIVE WITH WHOM NOT LIVING *(not parent)*: Mrs. Leonard Walker

17. PERMANENT ADDRESS OF THIS RELATIVE *(Number, street, city, State, ZIP code)*:
3440 C Street, S.E.
Washington, D.C. 20019

PART B - FINANCIAL DATA *(To be completed by student)*

18 I hereby apply for a loan under the Federal Insured Student Loan Program to help pay my expenses while attending school.

(1) AMOUNT OF LOAN: $1,000

(2) FOR SCHOOL PERIOD ENDING: June, 1977

19. LOAN WILL APPLY TO: (1) ☒ ACADEMIC YEAR (2) ☐ SEMESTER (3) ☐ QUARTER (4) ☐ TRIMESTER (5) ☐ SUMMER SCHOOL (6) ☐ OTHER *(specify)*

20. FINANCIAL AID FOR THIS ACADEMIC YEAR *(in dollars, exclusive of family contributions)* IF NONE, PLACE "O" IN TOTAL BOX

A. College work-study program	$ 500
B. Educational opportunity grant	
C. Scholarships, fellowships, other grants	
D. National defense student loans	500
E. Other educational loans	
F. TOTAL	$ 1000

21. LIST ALL INDEBTEDNESS OF $100 OR MORE *(If additional space is necessary, continue on separate sheet)*

A. EDUCATION LOANS

NAME OF LENDER	NAME OF PROGRAM	SCHOOL PERIOD BEGINNING	SCHOOL PERIOD ENDING	DATE OF LOAN	AMOUNT
UCLA	NDSL	9/74	6/75	9/5/74	$ 1,000

B. OTHER DEBTS

NAME OF LENDER	PURPOSE	DATE OF LOAN	UNPAID BALANCE	MONTHLY PAYMENTS
Easy Finance Company	miscellaneous	June, 1974	175	$ 25.00

STATEMENT OF ADJUSTED FAMILY INCOME *(To be completed by the student, spouse, and parents as applicable: See instructions)*

22 Have you during the preceding 12 months *(a)* resided with, *(b)* been claimed as a dependent for Federal Income Tax purposes by, or *(c)* been the recipient of an amount in excess of $600 from one *(or both)* of your parents? *("X" one)*

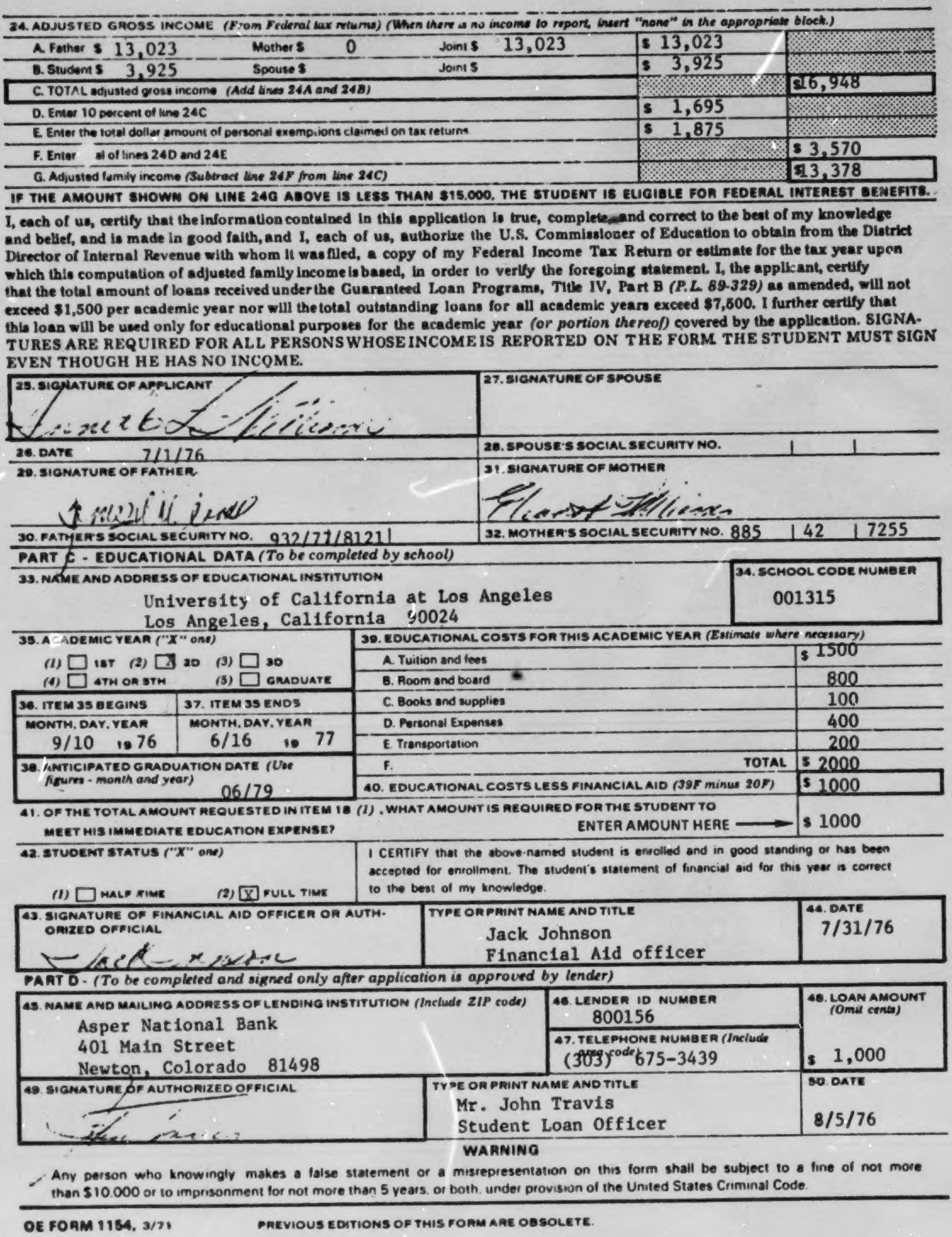
(1) ☒ YES (2) ☐ NO

If the answer to the above question is "YES" *(in whole or part)* your parent or both of your parents, if they are living together, must complete and sign this Statement of Adjusted Family Income.

23. If married, are you legally separated, or have you for the preceding 12 months been living apart from your spouse?

(1) ☐ YES (2) ☐ NO

If the answer is "NO, your spouse must complete and sign the Statement of Adjusted Family Income.



24. ADJUSTED GROSS INCOME *(From Federal tax returns) (When there is no income to report, insert "none" in the appropriate block.)*

A. Father $ 13,023	Mother $ 0	Joint $ 13,023	$ 13,023	▨
B. Student $ 3,925	Spouse $	Joint $	$ 3,925	▨
C. TOTAL adjusted gross income *(Add lines 24A and 24B)*			▨	$16,948
D. Enter 10 percent of line 24C			$ 1,695	▨
E. Enter the total dollar amount of personal exemptions claimed on tax returns			$ 1,875	▨
F. Enter al of lines 24D and 24E			▨	$ 3,570
G. Adjusted family income *(Subtract line 24F from line 24C)*			▨	$13,378

IF THE AMOUNT SHOWN ON LINE 24G ABOVE IS LESS THAN $15,000, THE STUDENT IS ELIGIBLE FOR FEDERAL INTEREST BENEFITS.

I, each of us, certify that the information contained in this application is true, complete and correct to the best of my knowledge and belief, and is made in good faith, and I, each of us, authorize the U.S. Commissioner of Education to obtain from the District Director of Internal Revenue with whom it was filed, a copy of my Federal Income Tax Return or estimate for the tax year upon which this computation of adjusted family income is based, in order to verify the foregoing statement. I, the applicant, certify that the total amount of loans received under the Guaranteed Loan Programs, Title IV, Part B *(P.L. 89-329)* as amended, will not exceed $1,500 per academic year nor will the total outstanding loans for all academic years exceed $7,500. I further certify that this loan will be used only for educational purposes for the academic year *(or portion thereof)* covered by the application. SIGNATURES ARE REQUIRED FOR ALL PERSONS WHOSE INCOME IS REPORTED ON THE FORM. THE STUDENT MUST SIGN EVEN THOUGH HE HAS NO INCOME.

25. SIGNATURE OF APPLICANT	27. SIGNATURE OF SPOUSE
26. DATE 7/1/76	28. SPOUSE'S SOCIAL SECURITY NO.
29. SIGNATURE OF FATHER	31. SIGNATURE OF MOTHER
30. FATHER'S SOCIAL SECURITY NO. 932/77/8121	32. MOTHER'S SOCIAL SECURITY NO. 885 42 7255

PART C - EDUCATIONAL DATA *(To be completed by school)*

33. NAME AND ADDRESS OF EDUCATIONAL INSTITUTION

University of California at Los Angeles
Los Angeles, California 90024

34. SCHOOL CODE NUMBER 001315

35. ACADEMIC YEAR ("X" one)

(1) ☐ 1ST (2) ☒ 2D (3) ☐ 3D
(4) ☐ 4TH OR 5TH (5) ☐ GRADUATE

36. ITEM 35 BEGINS	37. ITEM 35 ENDS
MONTH, DAY, YEAR	MONTH, DAY, YEAR
9/10 19 76	6/16 19 77

38. ANTICIPATED GRADUATION DATE *(Use figures - month and year)* 06/79

39. EDUCATIONAL COSTS FOR THIS ACADEMIC YEAR *(Estimate where necessary)*

A. Tuition and fees	$ 1500
B. Room and board	800
C. Books and supplies	100
D. Personal Expenses	400
E. Transportation	200
F. TOTAL	$ 2000
40. EDUCATIONAL COSTS LESS FINANCIAL AID *(39F minus 20F)*	$ 1000

41. OF THE TOTAL AMOUNT REQUESTED IN ITEM 18 *(1)*, WHAT AMOUNT IS REQUIRED FOR THE STUDENT TO MEET HIS IMMEDIATE EDUCATION EXPENSE? ENTER AMOUNT HERE → $ 1000

42. STUDENT STATUS ("X" one)

(1) ☐ HALF TIME (2) ☒ FULL TIME

I CERTIFY that the above-named student is enrolled and in good standing or has been accepted for enrollment. The student's statement of financial aid for this year is correct to the best of my knowledge.

43. SIGNATURE OF FINANCIAL AID OFFICER OR AUTHORIZED OFFICIAL	TYPE OR PRINT NAME AND TITLE Jack Johnson Financial Aid officer	44. DATE 7/31/76

PART D - *(To be completed and signed only after application is approved by lender)*

45. NAME AND MAILING ADDRESS OF LENDING INSTITUTION *(Include ZIP code)*

Asper National Bank
401 Main Street
Newton, Colorado 81498

46. LENDER ID NUMBER 800156

47. TELEPHONE NUMBER *(Include area code)* (303) 675-3439

48. LOAN AMOUNT *(Omit cents)* $ 1,000

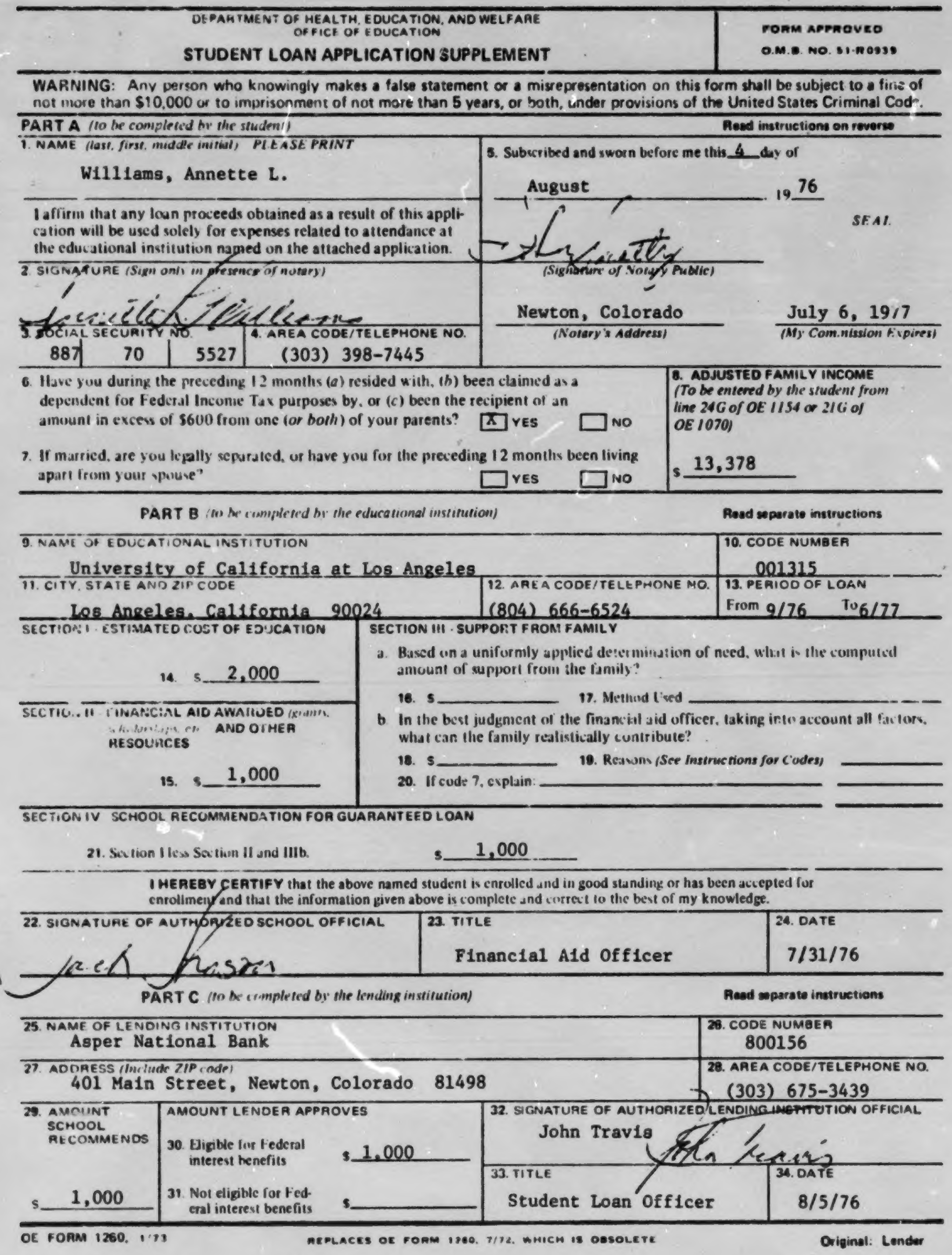
49. SIGNATURE OF AUTHORIZED OFFICIAL	TYPE OR PRINT NAME AND TITLE Mr. John Travis Student Loan Officer	50. DATE 8/5/76

WARNING

Any person who knowingly makes a false statement or a misrepresentation on this form shall be subject to a fine of not more than $10,000 or to imprisonment for not more than 5 years, or both, under provision of the United States Criminal Code.

OE FORM 1154, 3/71 PREVIOUS EDITIONS OF THIS FORM ARE OBSOLETE.

Appendix 3



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
STUDENT LOAN APPLICATION SUPPLEMENT

FORM APPROVED
O.M.B. NO. 51-R0939

WARNING: Any person who knowingly makes a false statement or a misrepresentation on this form shall be subject to a fine of not more than $10,000 or to imprisonment of not more than 5 years, or both, under provisions of the United States Criminal Code.

PART A *(to be completed by the student)* — Read instructions on reverse

1. NAME *(last, first, middle initial)* *PLEASE PRINT*: Williams, Annette L.

I affirm that any loan proceeds obtained as a result of this application will be used solely for expenses related to attendance at the educational institution named on the attached application.

2. SIGNATURE *(Sign only in presence of notary)*

3. SOCIAL SECURITY NO.: 887 | 70 | 5527

4. AREA CODE/TELEPHONE NO.: (303) 398-7445

5. Subscribed and sworn before me this 4 day of August 19 76

SEAL

(Signature of Notary Public)

Newton, Colorado *(Notary's Address)*

July 6, 1977 *(My Commission Expires)*

6. Have you during the preceding 12 months (*a*) resided with, (*b*) been claimed as a dependent for Federal Income Tax purposes by, or (*c*) been the recipient of an amount in excess of $600 from one (*or both*) of your parents? ☒ YES ☐ NO

7. If married, are you legally separated, or have you for the preceding 12 months been living apart from your spouse? ☐ YES ☐ NO

8. ADJUSTED FAMILY INCOME *(To be entered by the student from line 24G of OE 1154 or 21G of OE 1070)* $ 13,378

PART B *(to be completed by the educational institution)* — Read separate instructions

9. NAME OF EDUCATIONAL INSTITUTION: University of California at Los Angeles

10. CODE NUMBER: 001315

11. CITY, STATE AND ZIP CODE: Los Angeles, California 90024

12. AREA CODE/TELEPHONE NO.: (804) 666-6524

13. PERIOD OF LOAN: From 9/76 To 6/77

SECTION I - ESTIMATED COST OF EDUCATION

14. $ 2,000

SECTION II - FINANCIAL AID AWARDED *(grants, scholarships, etc.)* AND OTHER RESOURCES

15. $ 1,000

SECTION III - SUPPORT FROM FAMILY

a. Based on a uniformly applied determination of need, what is the computed amount of support from the family?

16. $ ______ 17. Method Used ______

b. In the best judgment of the financial aid officer, taking into account all factors, what can the family realistically contribute?

18. $ ______ 19. Reasons *(See Instructions for Codes)* ______

20. If code 7, explain: ______

SECTION IV SCHOOL RECOMMENDATION FOR GUARANTEED LOAN

21. Section I less Section II and IIIb. $ 1,000

I HEREBY CERTIFY that the above named student is enrolled and in good standing or has been accepted for enrollment and that the information given above is complete and correct to the best of my knowledge.

22. SIGNATURE OF AUTHORIZED SCHOOL OFFICIAL

23. TITLE: Financial Aid Officer

24. DATE: 7/31/76

PART C *(to be completed by the lending institution)* — Read separate instructions

25. NAME OF LENDING INSTITUTION: Asper National Bank

26. CODE NUMBER: 800156

27. ADDRESS *(Include ZIP code)*: 401 Main Street, Newton, Colorado 81498

28. AREA CODE/TELEPHONE NO.: (303) 675-3439

29. AMOUNT SCHOOL RECOMMENDS: $ 1,000

AMOUNT LENDER APPROVES

30. Eligible for Federal interest benefits $ 1,000

31. Not eligible for Federal interest benefits $ ______

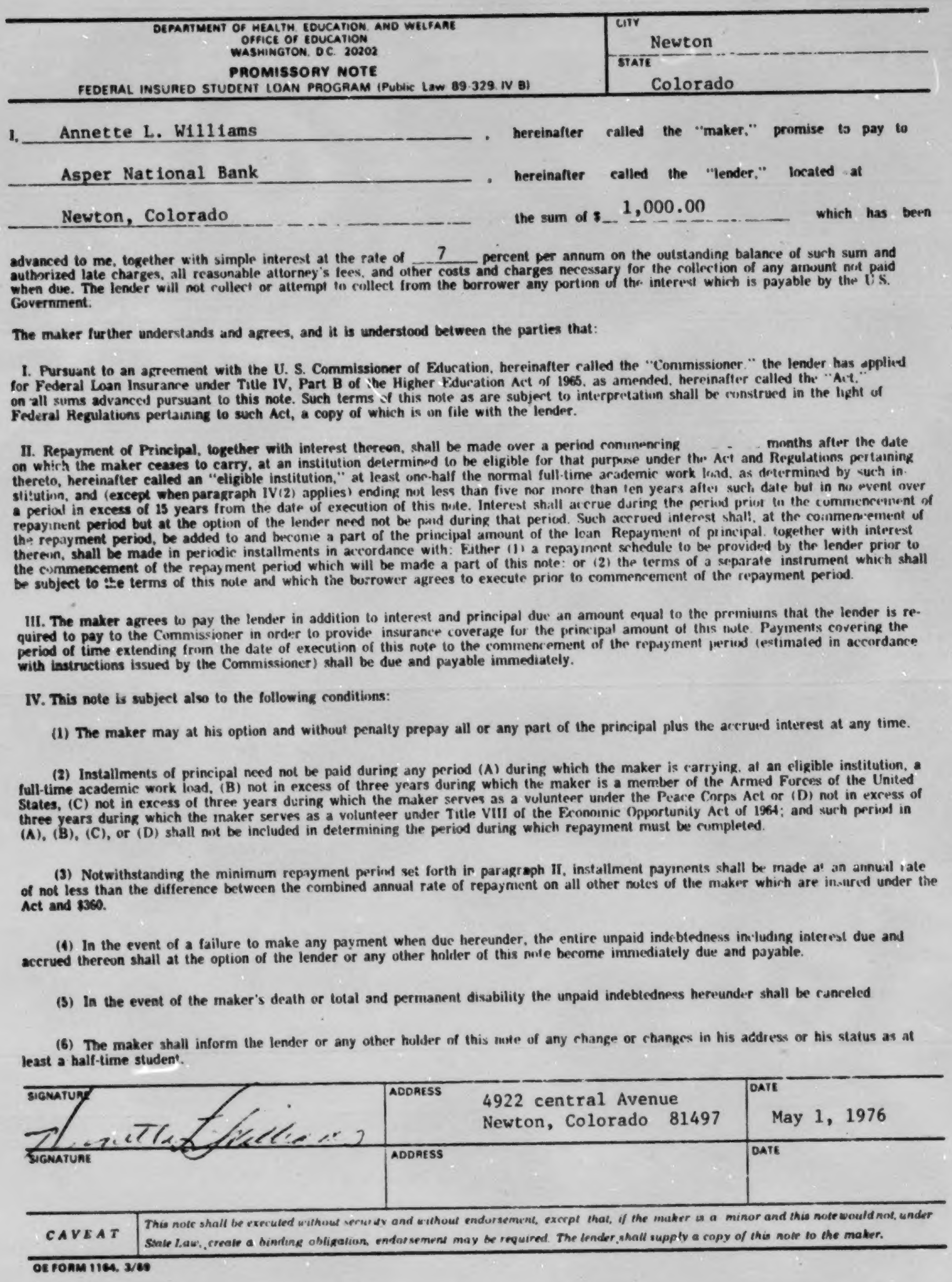
32. SIGNATURE OF AUTHORIZED LENDING INSTITUTION OFFICIAL: John Travis

33. TITLE: Student Loan Officer

34. DATE: 8/5/76

OE FORM 1260, 1/73 REPLACES OE FORM 1260, 7/72, WHICH IS OBSOLETE Original: Lender

Appendix 4



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

PROMISSORY NOTE

FEDERAL INSURED STUDENT LOAN PROGRAM (Public Law 89-329, IV B)

CITY Newton
STATE Colorado

I, Annette L. Williams, hereinafter called the "maker," promise to pay to Asper National Bank, hereinafter called the "lender," located at Newton, Colorado the sum of $ 1,000.00 which has been advanced to me, together with simple interest at the rate of 7 percent per annum on the outstanding balance of such sum and authorized late charges, all reasonable attorney's fees, and other costs and charges necessary for the collection of any amount not paid when due. The lender will not collect or attempt to collect from the borrower any portion of the interest which is payable by the U.S. Government.

The maker further understands and agrees, and it is understood between the parties that:

I. Pursuant to an agreement with the U. S. Commissioner of Education, hereinafter called the "Commissioner," the lender has applied for Federal Loan Insurance under Title IV, Part B of the Higher Education Act of 1965, as amended, hereinafter called the "Act," on all sums advanced pursuant to this note. Such terms of this note as are subject to interpretation shall be construed in the light of Federal Regulations pertaining to such Act, a copy of which is on file with the lender.

II. Repayment of Principal, together with interest thereon, shall be made over a period commencing - months after the date on which the maker ceases to carry, at an institution determined to be eligible for that purpose under the Act and Regulations pertaining thereto, hereinafter called an "eligible institution," at least one-half the normal full-time academic work load, as determined by such institution, and (except when paragraph IV(2) applies) ending not less than five nor more than ten years after such date but in no event over a period in excess of 15 years from the date of execution of this note. Interest shall accrue during the period prior to the commencement of repayment period but at the option of the lender need not be paid during that period. Such accrued interest shall, at the commencement of the repayment period, be added to and become a part of the principal amount of the loan. Repayment of principal, together with interest thereon, shall be made in periodic installments in accordance with: Either (1) a repayment schedule to be provided by the lender prior to the commencement of the repayment period which will be made a part of this note; or (2) the terms of a separate instrument which shall be subject to the terms of this note and which the borrower agrees to execute prior to commencement of the repayment period.

III. The maker agrees to pay the lender in addition to interest and principal due an amount equal to the premiums that the lender is required to pay to the Commissioner in order to provide insurance coverage for the principal amount of this note. Payments covering the period of time extending from the date of execution of this note to the commencement of the repayment period (estimated in accordance with instructions issued by the Commissioner) shall be due and payable immediately.

IV. This note is subject also to the following conditions:

(1) The maker may at his option and without penalty prepay all or any part of the principal plus the accrued interest at any time.

(2) Installments of principal need not be paid during any period (A) during which the maker is carrying, at an eligible institution, a full-time academic work load, (B) not in excess of three years during which the maker is a member of the Armed Forces of the United States, (C) not in excess of three years during which the maker serves as a volunteer under the Peace Corps Act or (D) not in excess of three years during which the maker serves as a volunteer under Title VIII of the Economic Opportunity Act of 1964; and such period in (A), (B), (C), or (D) shall not be included in determining the period during which repayment must be completed.

(3) Notwithstanding the minimum repayment period set forth in paragraph II, installment payments shall be made at an annual rate of not less than the difference between the combined annual rate of repayment on all other notes of the maker which are insured under the Act and $360.

(4) In the event of a failure to make any payment when due hereunder, the entire unpaid indebtedness including interest due and accrued thereon shall at the option of the lender or any other holder of this note become immediately due and payable.

(5) In the event of the maker's death or total and permanent disability the unpaid indebtedness hereunder shall be canceled.

(6) The maker shall inform the lender or any other holder of this note of any change or changes in his address or his status as at least a half-time student.

SIGNATURE	ADDRESS 4922 central Avenue Newton, Colorado 81497	DATE May 1, 1976
SIGNATURE	ADDRESS	DATE

CAVEAT	*This note shall be executed without security and without endorsement, except that, if the maker is a minor and this note would not, under State Law, create a binding obligation, endorsement may be required. The lender shall supply a copy of this note to the maker.*

OE FORM 1164, 3/69

Appendix 5

Statement of Borrower's Rights and Responsibilities

BORROWER'S RIGHTS

1. The loan check must be made payable to the borrower and require his/her endorsement.
2. If the lender transfers (e.g. sells) the loan and the right to receive payments, the borrower must be sent a clear notification which spells out the borrower's obligations to the new holder.
3. Borrowers have a right to federal interest benefits, if qualified. For more information about interest benefits, check the instruction section of the application.
4. Lenders must provide the borrower with a copy of the completed promissory note.
5. Borrowers have a right to a 9 to 12 month "grace period" before repayment begins after the borrower has left school or is attending school less than half-time. The exact length of this period is indicated by the lender on the promissory note.
6. Borrowers have a right to prepay the loan without penalty. The borrower may, at any time, pay the loan balance and any interest due without being charged a penalty by the lender.
7. Borrowers have a right to deferment of repayment. Under deferment a borrower is not required to make payments on the loan principal for a period of time. The conditions that qualify a borrower for a deferment are listed in Section V(2) on the promissory note. Also, if the borrower qualified for federal interest benefits while in school, he/she will not be required to pay interest on the loan during the deferment period.
8. Borrowers may request forbearance. If the borrower cannot meet his/her repayment schedule, he/she may request forbearance from the lender, under which the payments may be reduced for a specified period of time if it will assist the borrower in avoiding default.
9. The loan obligation will be canceled in the event of death or permanent and total disability. THIS LOAN CANNOT BE CANCELED OR "FORGIVEN" FOR DUTY IN THE MILITARY SERVICE OR FOR TEACHING IN SHORTAGE AREAS.

BORROWER'S RESPONSIBILITIES

1. The borrower must use care in choosing a school. All schools must provide information to prospective students about the school's programs and performance. Borrowers should consider this information carefully before deciding to attend a school.
2. The borrower must arrange with the lender to pay the interest on the loan if he/she does not qualify for federal interest benefits. Interest benefits are explained in the instruction section of the application booklet.
3. The borrower must notify the lender if any of the following occurs before the loan is repaid.
    A. graduation
    B. withdrawal from school or less than half-time attendance
    C. change of address
4. The borrower should notify the lender if any of the following occurs before the loan is repaid.
    A. name changes (e.g., maiden name to married name)
    B. transfers to other schools
5. The borrower must repay the loan in accordance with the repayment schedule. More detailed information about the repayment terms are listed in Sections II and V of the promissory note.
6. The borrower must notify the lender of any occurence which may affect the borrower's eligibility for a deferment if the borrower is under deferment of repayment.

By my signature below I CERTIFY that I have read and discussed my rights and responsibilities listed above with the lender.

SIGNATURE OF BORROWER

DATE

Appendix 6

Personal and Confidential Information

To be completed by the student:
(PLEASE PRINT)

Date

NAME (Last) (First) (Middle Initial) STUDENT NUMBER

LOCAL ADDRESS:
STREET
(inc. Apt. #)
CITY
STATE ZIP
TELEPHONE NO.

PERMANENT ADDRESS:
STREET
(inc. Apt. #)
CITY
STATE ZIP
TELEPHONE NO. (area code)

Birth Date

Social Security Number

Driver's License Number

State

Your Part-time Job (Company Name)

College

Major

CLASS: Fresh. Soph. Jr. Sr. Grad.

Exp. Graduation Date

Spouse's Name

Spouse's Employment

PARENT OR GUARDIAN:

Name (First) (Initial) (Last)

Street (inc. Apt. #)

Telephone (area code)

City State Zip Code

Parent's Employer's Name

Employer's Business Address (City) (State)

Brothers and Sisters over 18 not living at home, (List married name of sisters, for example: Mrs. Robert R. Anderson.)

Name Address

Name Address

PERSONAL REFERENCES:

Name Address

Name Address

INSURANCE COMPANY OR AGENT:

Automobile Address

Life Address

THIS FORM MUST BE COMPLETED BEFORE FINANCIAL AID CAN BE ISSUED.

Appendix 7

EXAMPLE OF CAPITALIZED LOAN

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

FEDERAL INSURED STUDENT
LOAN PROGRAM
(P. L. 89-329, IV-B)

PROMISSORY NOTE – INSTALLMENT

CITY Alexandria	STATE Virginia	PRINCIPAL AMOUNT	$ 7,250.00 (No. 1)
		INTEREST FROM	
		BORROWER	$ 2,892.60 (No. 2)
DATE December 30, 1974		U.S. GOVERNMENT	$
		TOTAL NOTE	$ 10,142.60

FOR VALUE RECEIVED, I Mary Doe hereinafter called the "maker," promise to pay to the order of Mountain National Bank of Alexandria, Virginia hereinafter called the "lender," the sum of Seven Thousand Two Hundred And Fifty dollars together with simple interest at the rate of 7 percent per annum on the outstanding principal balance of such sum in 119 installments of $ 84.77, and a last installment of $ 54.97 which installments are payable as follows: the fifteenth day of each month beginning February 15, 1975

If the Commissioner of Education makes interest payments on behalf of the undersigned at the rate of 3 pecent per annum on the unpaid principal balance, this payment of $______ will be in addition to the installments hereinabove stated.

The undertaking of the maker is in satisfaction of his existing obligation to repay sums advanced to him by the lender as evidenced by the promissory note (s) executed by the maker and dated 9/1/71, 9/8/72, 9/15/73 and 9/9/74 the repayment of which has been insured by the U.S. Government under the provisions of Title IV, Part B of the Higher Education Act of 1965, as amended. The obligation of the maker hereunder is subject to the terms and conditions of such promissory note(s). Such terms of this note as are subject to interpretation shall be construed in light of the provisions of such Act and the Federal Regulations issued hereunder.

Disbursement Date	Amount Of Loan	Interest Rate	Number Of Months From Disbursement to Beginning Of Repayment	Amount Of Accrued Interest
9/11/71	$1,000	7%	57	$ 332
9/8/72	1,500	7	44	385
9/15/73	1,500	7	33	288
9/9/74	2,000	7	21	245
	$6,000 (Total Principal)			$ 1,250

(Accrued Interest for in school and grace period on non-subsidized loans only)

Note 1: Principal amount equals principal plus accrued interest for in-school and grace periods for non-subsidized loans only.

Note2: Interest due from borrower on capitalized loan principal over life of repayment period.

SIGNATURE Mary Doe	ADDRESS 5646 Squatt Street Alexandria, Virginia
SIGNATURE	ADDRESS

CAVEAT	The lender will not collect or attempt to collect from the borrower any portion of the interest due hereunder which is payable by the Commissioner. The lender shall supply a copy of this note to the maker

OE FORM 1171, 2-68

Appendix 8

Asper National Bank
Name of Lending Institution

FISL Number 472
Transaction Identification

DISCLOSURE OF FINANCE CHARGES
To be used in conjunction with OE Form 1171 or at time repayment arrangements are made

1. For purposes of the repayment agreement, the FINANCE CHARGE begins to accrue
6 , 1 , 75
month day year

2. a. Unpaid principal balance(s)	$1,000.00	
b. Accrued unpaid interest to be added to principal	$	
c. Amount Financed (Total: 2a + 2b)		$1,000.00
3. FINANCE CHARGE (interest to be paid during repayment period)		$ 111.68
4. Number and amount of payments: 35 payments at	$30.88	
Final payment of	$30.88	
Total of payments		$1,111.68

5. Due date of payments: commencing 6 , 1 , 75 (month day year) and the same date of each month thereafter.
6. ANNUAL PERCENTAGE RATE 7 %.
7. Delinquency and Default Charges: A late charge of 5 percent of the monthly payment or $5.00 , whichever is less, may be charged on any payment made later than 10 days from the due date. Reasonable attorney's fees, and other costs and charges necessary for the collection of any amount not paid when due, may also be charged. Any obligation of the U.S. Commissioner of Education to pay interest shall terminate upon default by the borrower (as defined by Regulations of the U.S. Commissioner of Education).
8. Acceleration of Maturity Date by Prepayment: The maker may, at his option, and without penalty, prepay all or any part of the principal plus the accrued interest at any time. In the event of such prepayment, the maker shall be entitled to a rebate of unearned interest computed by:

(check one)
☒ The Sum of the Digits Formula (Rule of 78ths)
☐ Other (Identify) ______

9/1/74
Date

Signature—Lender

The maker acknowledges receipt of an exact copy of this statement.

9/1/74
Date

Signature—Maker

634 South Avenue
Address
Rushmore, Georgia 73225

OE FORM 1201

Appendix 9

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

REQUEST FOR COLLECTION ASSISTANCE UNDER FEDERAL INSURED STUDENT LOAN PROGRAM

FORM APPROVED
OMB NO. 51-R0875

DATE OF REQUEST: 6/21/75

FROM: *(name of lender)* Asper National Bank		LENDER OE IDENTIFICATION NUMBER 800156	TO: U.S. Office of Education Office of Guaranteed Student Loans, DCM Liquidation Services Branch Washington, D.C. 20202
STREET ADDRESS 401 Main Street	CITY AND STATE Newton CO	ZIP CODE 81498	
NAME AND TITLE Irene B. Burroughs Senior Loan Officer			TELEPHONE: AREA CODE 303 · NUMBER 591-4311 · EXTENSION ---

MAY WE HAVE YOUR ASSISTANCE ON THE DELINQUENT BORROWER BELOW:

NAME OF BORROWER Elizabeth R. Tudor	SOCIAL SECURITY NUMBER 893-01-7611	TELEPHONE: AREA CODE 213 · NUMBER 631-1214	
MAILING ADDRESS - STREET 9115 Santa Maria Court	CITY AND STATE Los Angeles, CA		ZIP CODE 90013
LAST SCHOOL ATTENDED Oregon State University			DATE OF SCHOOL WITHDRAWAL 6/7
ADDRESS - STREET Goodrich Hall Plain Street	CITY AND STATE Corvallis, OR	ZIP CODE 97330	
NAME OF NEAREST RELATIVE Alvin M. Tudor	ADDRESS - STREET 1401 S. Denver	CITY AND STATE Newton CO	ZIP CODE 81499
NAME OF PARENT OR GUARDIAN	ADDRESS - STREET	CITY AND STATE	ZIP CODE
PRINCIPAL LOAN AMOUNT DUE $ 517.35	UNPAID INTEREST DUE $ ----	PERCENT INTEREST 7 %	NUMBER OF PAYMENTS MADE TO DATE 11

REASON FOR THIS REQUEST *(check one)*

☐ STUDENT'S FAILURE TO ESTABLISH REPAYMENT AGREEMENT

☒ STUDENT IS DELINQUENT ON MONTHLY PAYMENTS — NUMBER OF PAYMENTS: 2 — AMOUNT DUE PER MONTH: $ 44.78

☐ STUDENT IS DELINQUENT ON INTEREST PAYMENTS — NUMBER OF MONTHS: — AMOUNT DUE PER MONTH: $

☐ SKIP

☐ OTHER *(explain)*

OE FORM 1249-1, 11/75 PREVIOUS EDITIONS ARE OBSOLETE.

ORIGINAL — U.S. OFFICE OF EDUCATION

Appendix 10

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

(day)

Please include the following number on the upper right hand corner of the OE Form 1207 when filing a claim : (case)

(lender name)
(lender street)
(lender city), (st.) (zip)

Receipt of Form 1249-1 (request for Pre-Claim Assistance) on (date of receipt of 1249-1) for (borrower name), Soc Sec No: (SSN), dated (date of preparation of 1249-1) is acknowledged. Please note the date of this letter - it is the date we received your request and represents "day one" of the Pre-Claims cycle. The first letter to the borrower was issued on the above date. The schedule of Pre-Claims-related mailings will be as follows:

1. We will issue the final (2nd) letter, which contains wording of a much stronger nature on (day+40) unless you send in the bottom portion of this letter authorizing us to stop the series. Your response must be received in this office by (day+33) in order to prevent issuance of the final letter.
2. We will close this case with the assumption that satisfactory arrangements have been made on (day+60) unless we hear from you to the contrary by (day+53).

Thank you for your participation in the Pre-Claims Assistance Program.

For your use: Reply mailed______________________(date)
Action requested: ( ) Stop Assistance ( ) Close case negatively

-------------------------CUT OR TEAR ON THIS LINE-------------------------

IMPORTANT NOTICE: DO NOT complete and return this form UNLESS you wish to terminate Pre-Claim Assistance before (Day + 60).

Mail this response form to:

PRE-CLAIMS ASSISTANCE CENTER
P. O. Box 4759
Arlington, Virginia 22204

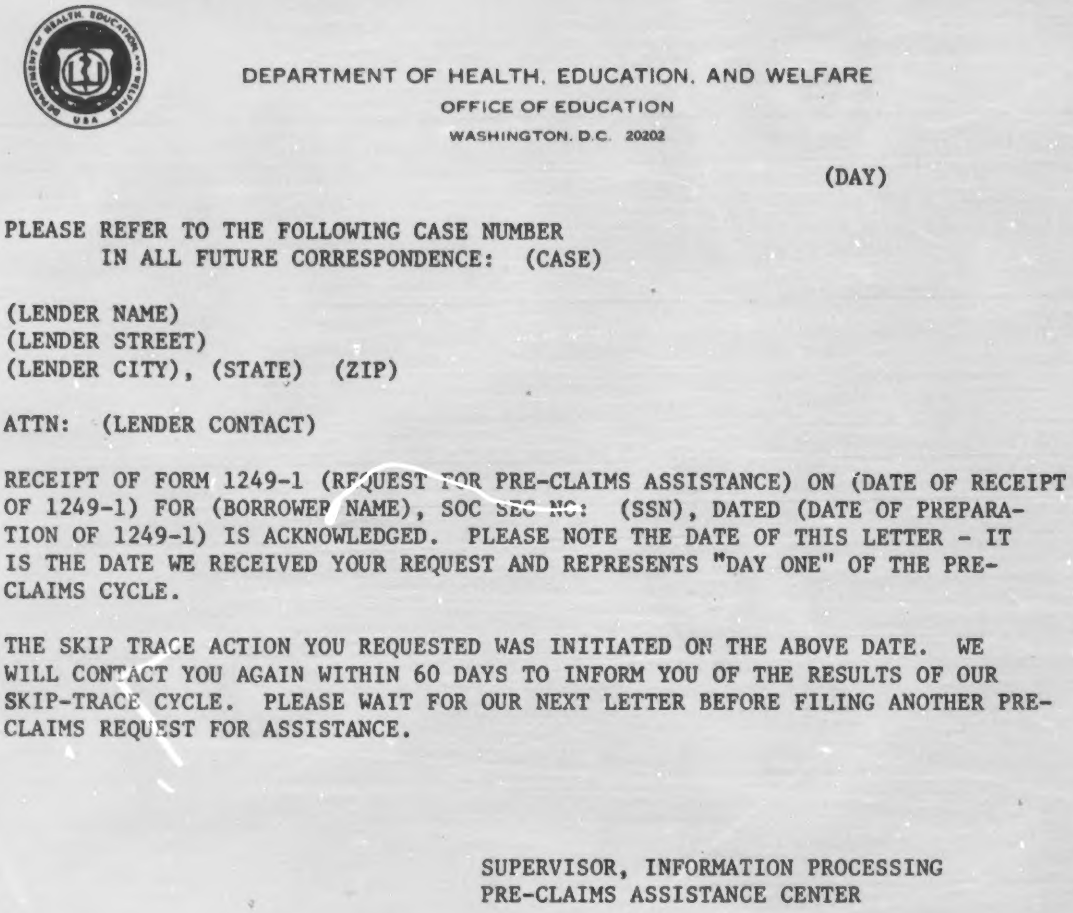
From: (lender name)
(lender Street)
(lender city), (st.) (zip)

( ) STOP PRE-CLAIMS ASSISTANCE
  ( ) Student contacted us and made satisfactory repayment arrangements
  ( ) Loan has been paid off in full by ( ) Student ( ) Parent.

( ) CLOSE THIS CASE NEGATIVELY
  ( ) Student contacted us on___________________(date)
  ( ) Satisfactory repayment arrangements were not made.

Signed_____________________Title_____________________Date____________

Appendix 11



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

(DAY)

PLEASE REFER TO THE FOLLOWING CASE NUMBER
IN ALL FUTURE CORRESPONDENCE: (CASE)

(LENDER NAME)
(LENDER STREET)
(LENDER CITY), (STATE) (ZIP)

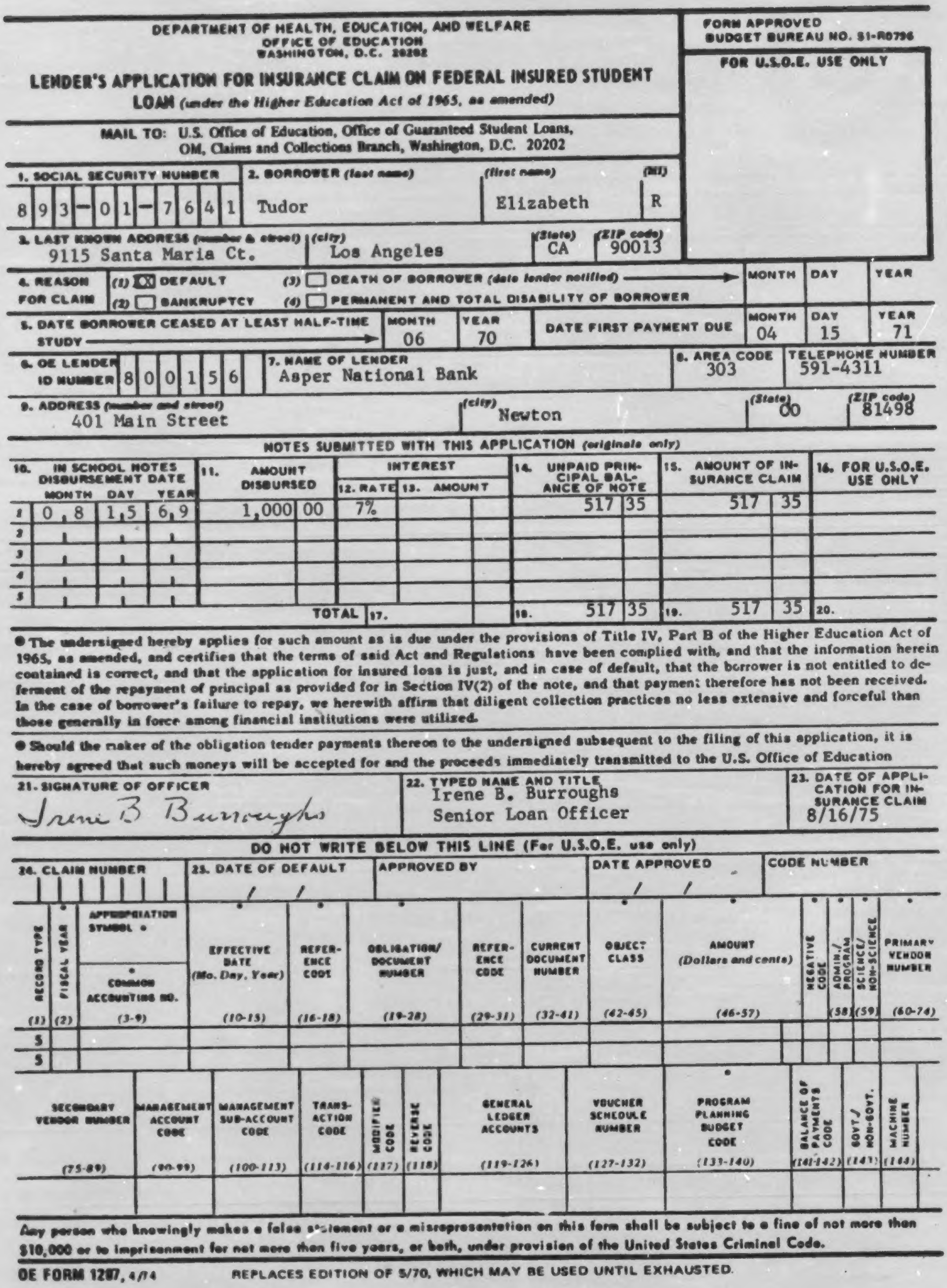
ATTN: (LENDER CONTACT)

RECEIPT OF FORM 1249-1 (REQUEST FOR PRE-CLAIMS ASSISTANCE) ON (DATE OF RECEIPT OF 1249-1) FOR (BORROWER NAME), SOC SEC NO: (SSN), DATED (DATE OF PREPARATION OF 1249-1) IS ACKNOWLEDGED. PLEASE NOTE THE DATE OF THIS LETTER - IT IS THE DATE WE RECEIVED YOUR REQUEST AND REPRESENTS "DAY ONE" OF THE PRE-CLAIMS CYCLE.

THE SKIP TRACE ACTION YOU REQUESTED WAS INITIATED ON THE ABOVE DATE. WE WILL CONTACT YOU AGAIN WITHIN 60 DAYS TO INFORM YOU OF THE RESULTS OF OUR SKIP-TRACE CYCLE. PLEASE WAIT FOR OUR NEXT LETTER BEFORE FILING ANOTHER PRE-CLAIMS REQUEST FOR ASSISTANCE.

SUPERVISOR, INFORMATION PROCESSING
PRE-CLAIMS ASSISTANCE CENTER

Appendix 12



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

FORM APPROVED
BUDGET BUREAU NO. 51-R0796

FOR U.S.O.E. USE ONLY

LENDER'S APPLICATION FOR INSURANCE CLAIM ON FEDERAL INSURED STUDENT LOAN *(under the Higher Education Act of 1965, as amended)*

MAIL TO: U.S. Office of Education, Office of Guaranteed Student Loans,
OM, Claims and Collections Branch, Washington, D.C. 20202

1. SOCIAL SECURITY NUMBER: 8 9 3 – 0 1 – 7 6 4 1
2. BORROWER (last name): Tudor (first name): Elizabeth (MI): R
3. LAST KNOWN ADDRESS (number & street): 9115 Santa Maria Ct. (city): Los Angeles (State): CA (ZIP code): 90013
4. REASON FOR CLAIM: (1) ☒ DEFAULT (2) ☐ BANKRUPTCY (3) ☐ DEATH OF BORROWER (date lender notified) → MONTH DAY YEAR (4) ☐ PERMANENT AND TOTAL DISABILITY OF BORROWER
5. DATE BORROWER CEASED AT LEAST HALF-TIME STUDY → MONTH 06 YEAR 70 — DATE FIRST PAYMENT DUE: MONTH 04 DAY 15 YEAR 71
6. OE LENDER ID NUMBER: 8 0 0 1 5 6
7. NAME OF LENDER: Asper National Bank
8. AREA CODE: 303 TELEPHONE NUMBER: 591-4311
9. ADDRESS (number and street): 401 Main Street (city): Newton (State): CO (ZIP code): 81498

NOTES SUBMITTED WITH THIS APPLICATION *(originals only)*

	10. IN SCHOOL NOTES DISBURSEMENT DATE MONTH	DAY	YEAR	11. AMOUNT DISBURSED	INTEREST 12. RATE	13. AMOUNT	14. UNPAID PRINCIPAL BALANCE OF NOTE	15. AMOUNT OF INSURANCE CLAIM	16. FOR U.S.O.E. USE ONLY
1	0 8	1 5	6 9	1,000 00	7%		517 35	517 35	
2									
3									
4									
5									
					TOTAL	17.	18. 517 35	19. 517 35	20.

- The undersigned hereby applies for such amount as is due under the provisions of Title IV, Part B of the Higher Education Act of 1965, as amended, and certifies that the terms of said Act and Regulations have been complied with, and that the information herein contained is correct, and that the application for insured loss is just, and in case of default, that the borrower is not entitled to deferment of the repayment of principal as provided for in Section IV(2) of the note, and that payment therefore has not been received. In the case of borrower's failure to repay, we herewith affirm that diligent collection practices no less extensive and forceful than those generally in force among financial institutions were utilized.

- Should the maker of the obligation tender payments thereon to the undersigned subsequent to the filing of this application, it is hereby agreed that such moneys will be accepted for and the proceeds immediately transmitted to the U.S. Office of Education

21. SIGNATURE OF OFFICER: Irene B Burroughs
22. TYPED NAME AND TITLE: Irene B. Burroughs, Senior Loan Officer
23. DATE OF APPLICATION FOR INSURANCE CLAIM: 8/16/75

DO NOT WRITE BELOW THIS LINE (For U.S.O.E. use only)

24. CLAIM NUMBER
25. DATE OF DEFAULT: / /
APPROVED BY
DATE APPROVED: / /
CODE NUMBER

RECORD TYPE (1)	FISCAL YEAR (2)	APPROPRIATION SYMBOL • / COMMON ACCOUNTING NO. (3-9)	EFFECTIVE DATE (Mo. Day, Year) (10-15)	REFERENCE CODE (16-18)	OBLIGATION/ DOCUMENT NUMBER (19-28)	REFERENCE CODE (29-31)	CURRENT DOCUMENT NUMBER (32-41)	OBJECT CLASS (42-45)	AMOUNT (Dollars and cents) (46-57)	NEGATIVE CODE	ADMIN./ PROGRAM (58)	SCIENCE/ NON-SCIENCE (59)	PRIMARY VENDOR NUMBER (60-74)
5													
5													

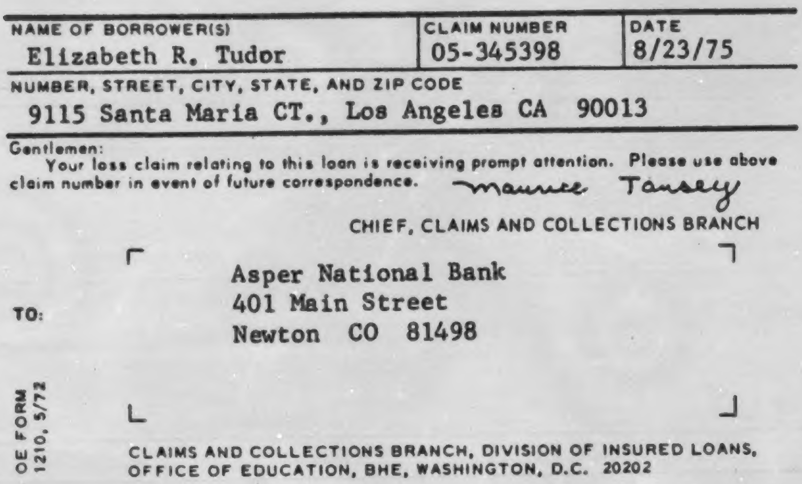
SECONDARY VENDOR NUMBER (75-89)	MANAGEMENT ACCOUNT CODE (90-99)	MANAGEMENT SUB-ACCOUNT CODE (100-113)	TRANSACTION CODE (114-116)	MODIFIER CODE (117)	REVERSE CODE (118)	GENERAL LEDGER ACCOUNTS (119-126)	VOUCHER SCHEDULE NUMBER (127-132)	PROGRAM PLANNING BUDGET CODE (133-140)	BALANCE OF PAYMENTS CODE (141-142)	GOVT./ NON-GOVT. (143)	MACHINE NUMBER (144)

Any person who knowingly makes a false statement or a misrepresentation on this form shall be subject to a fine of not more than $10,000 or to imprisonment for not more than five years, or both, under provision of the United States Criminal Code.

OE FORM 1207, 4/74 REPLACES EDITION OF 5/70, WHICH MAY BE USED UNTIL EXHAUSTED.

Appendix 13

Office of Education Response to Lender on Default Claim



NAME OF BORROWER(S) Elizabeth R. Tudor	CLAIM NUMBER 05-345398	DATE 8/23/75

NUMBER, STREET, CITY, STATE, AND ZIP CODE
9115 Santa Maria CT., Los Angeles CA 90013

Gentlemen:
Your loss claim relating to this loan is receiving prompt attention. Please use above claim number in event of future correspondence.

Maurice Tansey
CHIEF, CLAIMS AND COLLECTIONS BRANCH

TO:

Asper National Bank
401 Main Street
Newton CO 81498

OE FORM 1210, 5/72

CLAIMS AND COLLECTIONS BRANCH, DIVISION OF INSURED LOANS,
OFFICE OF EDUCATION, BHE, WASHINGTON, D.C. 20202

Appendix 14

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

REQUEST FOR CANCELLATION OF LOAN ON GROUND OF PERMANENT AND TOTAL DISABILITY

FORM APPROVED
BUDGET BUREAU NO. 51-[illegible]

CHECK APPLICABLE BOX OR BOXES	☐	NATIONAL DEFENSE STUDENT LOAN PROGRAM *(NDSLP)* *(Public Law 85-864, Title II)*	☐	UNITED STATES LOAN PROGRAM FOR CUBAN STUDENTS *(USLPCS)* *(Public Law 87-510)*
			☐	OTHER *(Specify)*
	☒	FEDERAL INSURED STUDENT LOAN PROGRAM *(FISLP)* *(Title IV-B, Public Law 89-329 and Public Law 89-287)*		

NOTE TO CLAIMANT - All information submitted in connection with this claim will be treated as Confidential. A representative of the claimant may fill out this form and sign it if the claimant is unable because of physical or mental disability to complete the form himself.

1. NAME OF CLAIMANT *(borrower) (Last, First, Middle)*: Brock, Natalie Roberta

2. SOCIAL SECURITY ACCOUNT NO.: 899-10-2783

3. DATE OF BIRTH *(Month, Day, Year)*: 12/14/53

4. ADDRESS OF CLAIMANT *(borrower) (Number, Street, City, State, and ZIP Code)*:
6601 Climbing Terrace
Ft. Worth, TX 76192

5. CUBAN PASSPORT NO. *(USLPCS)*:

6. ALIEN VISA NUMBER *(USLPCS)*: A-

7. NAME AND ADDRESS OF EDUCATIONAL INSTITUTION(S) ATTENDED:
Crosswinds Secretarial College
1400 Fenestra Court, Dallas, TX 75207

8. UNPAID BALANCE OF MY LOAN IS
PRINCIPAL $900
INTEREST $ none (in school)

9. NAME AND ADDRESS OF LENDING INSTITUTION:
Red River Savings and Loan Association
82 Guadalupe Ave., Arlington, TX 76010

10. OE VENDOR NUMBER OF LENDING INSTITUTION: 801108

11. DATE OF INABILITY TO WORK BECAUSE OF DISABILITY: 11/28/75

12. DESCRIBE NATURE OF DISABILITY: brain damage from car accident--in coma 32 days

13. DATE SYMPTOMS FIRST APPEARED: 11/28/75

14. MEDICAL EXAMINATION AND/OR TREATMENT *(List all medical examinations and treatments in connection with the disability described in Item 12 above.) (Use additional sheets if necessary. Identify each plain sheet by giving claimant's name and Social Security Number. Indicate item number to which response applies.)*

NAME AND ADDRESS OF DOCTOR OR HOSPITAL	DATE OF MEDICAL EXAMINATION		TREATMENT RECEIVED
	FIRST	MOST RECENT	
Dr. Phillip Constanto Professional Bldg. Suite 43 900 Vansteer Avenue, Ft. Worth, TX	11/30/75	6/22/76	specialist
Arlington Medical Center Hospital 1289 Brougham Ave. Arlington, TX 76010	admitted 11/28/75	released 4/12/76	

15. AGENCIES CONTACTED FOR BENEFITS OR SERVICES *(List all governmental and private agencies contacted in connection with the disability described in Item 12 above.) (Use additional sheets if necessary. Identify each plain sheet by giving claimant's name and Social Security Number. Indicate item number to which response applies.)*

NAME AND ADDRESS OF AGENCY	CLAIM NUMBER	DISPOSITION OF CLAIM
Texas Workmens Compensation Board 819 W. Bingo Street Fort Worth, Texas	54126772B	Receiving Workmen's compensation
ABCD Student Insurance Company 242 South Street, Dallas, Texas	62177523C	Receiving medical insurance

16. **CONSENT FOR RELEASE OF INFORMATION** - I hereby authorize any physicians, hospitals, or other institutions having records, pertaining to the disability for which I am requesting cancellation, to make available information from such records to the U.S. Office of Education. I further authorize the disclosure to the U.S. Office of Education of information from the Disability Records of the Social Security Administration pertaining to the disability for which this cancellation is requested.

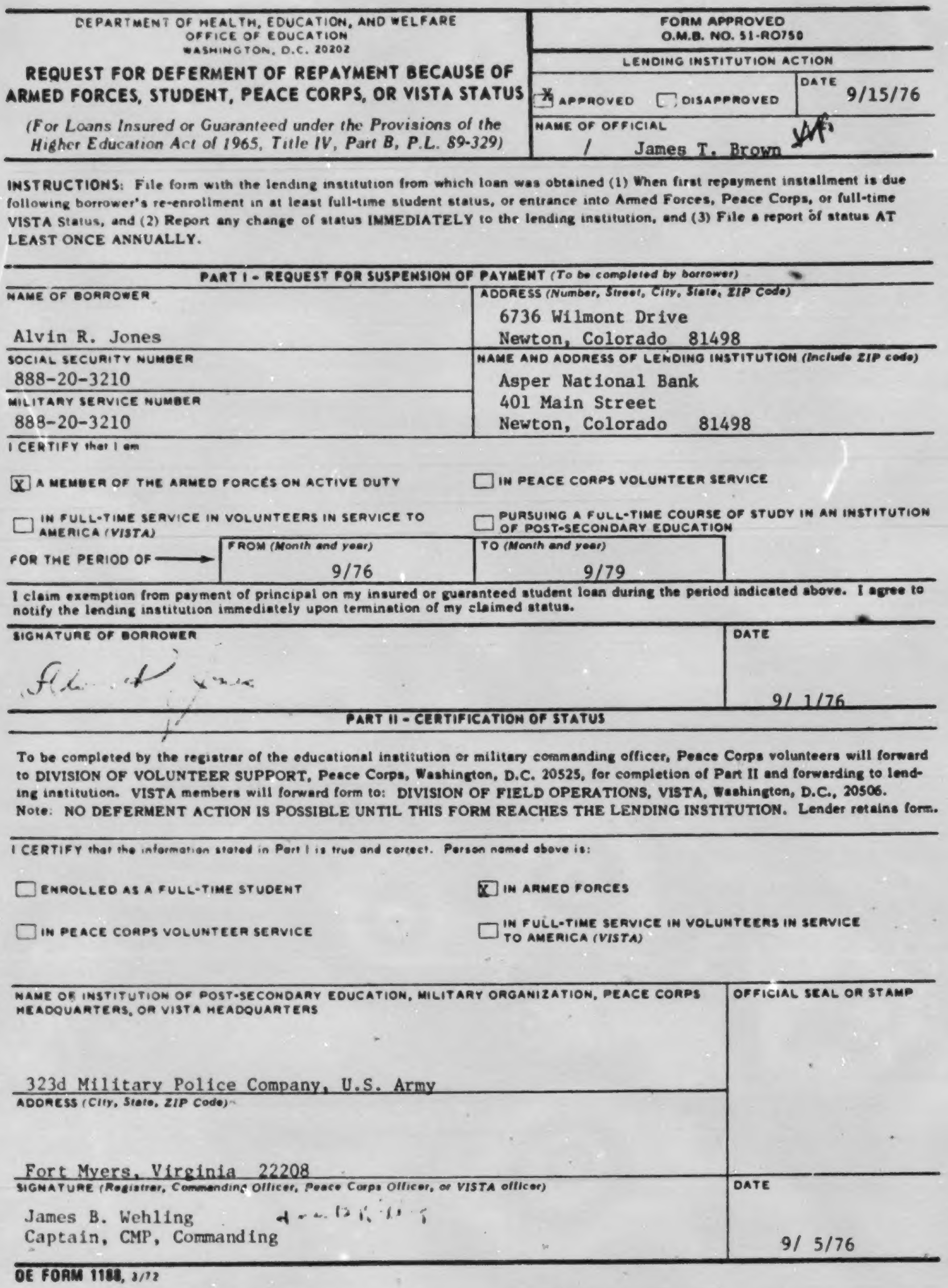
SIGNATURE OF CLAIMANT OR HIS REPRESENTATIVE: Robt C Clark

DATE: July 7, 1976

TYPED NAME AND ADDRESS OF CLAIMANT'S REPRESENTATIVE:
Robert C. Clark
6601 Climbing Terrace
Fort Worth, Texas 76192

OE FORM 1172, 5/68 OFFICE OF EDUCATION - 1

Appendix 15



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

REQUEST FOR DEFERMENT OF REPAYMENT BECAUSE OF ARMED FORCES, STUDENT, PEACE CORPS, OR VISTA STATUS

(For Loans Insured or Guaranteed under the Provisions of the Higher Education Act of 1965, Title IV, Part B, P.L. 89-329)

FORM APPROVED
O.M.B. NO. 51-RO750

LENDING INSTITUTION ACTION

☒ APPROVED ☐ DISAPPROVED

DATE 9/15/76

NAME OF OFFICIAL / James T. Brown

INSTRUCTIONS: File form with the lending institution from which loan was obtained (1) When first repayment installment is due following borrower's re-enrollment in at least full-time student status, or entrance into Armed Forces, Peace Corps, or full-time VISTA Status, and (2) Report any change of status IMMEDIATELY to the lending institution, and (3) File a report of status AT LEAST ONCE ANNUALLY.

PART I - REQUEST FOR SUSPENSION OF PAYMENT *(To be completed by borrower)*

NAME OF BORROWER: Alvin R. Jones

ADDRESS *(Number, Street, City, State, ZIP Code)*:
6736 Wilmont Drive
Newton, Colorado 81498

SOCIAL SECURITY NUMBER: 888-20-3210

MILITARY SERVICE NUMBER: 888-20-3210

NAME AND ADDRESS OF LENDING INSTITUTION *(Include ZIP code)*:
Asper National Bank
401 Main Street
Newton, Colorado 81498

I CERTIFY that I am

☒ A MEMBER OF THE ARMED FORCES ON ACTIVE DUTY

☐ IN PEACE CORPS VOLUNTEER SERVICE

☐ IN FULL-TIME SERVICE IN VOLUNTEERS IN SERVICE TO AMERICA *(VISTA)*

☐ PURSUING A FULL-TIME COURSE OF STUDY IN AN INSTITUTION OF POST-SECONDARY EDUCATION

FOR THE PERIOD OF →	FROM *(Month and year)*	TO *(Month and year)*
	9/76	9/79

I claim exemption from payment of principal on my insured or guaranteed student loan during the period indicated above. I agree to notify the lending institution immediately upon termination of my claimed status.

SIGNATURE OF BORROWER: Alvin R. Jones

DATE: 9/ 1/76

PART II - CERTIFICATION OF STATUS

To be completed by the registrar of the educational institution or military commanding officer, Peace Corps volunteers will forward to DIVISION OF VOLUNTEER SUPPORT, Peace Corps, Washington, D.C. 20525, for completion of Part II and forwarding to lending institution. VISTA members will forward form to: DIVISION OF FIELD OPERATIONS, VISTA, Washington, D.C., 20506. Note: NO DEFERMENT ACTION IS POSSIBLE UNTIL THIS FORM REACHES THE LENDING INSTITUTION. Lender retains form.

I CERTIFY that the information stated in Part I is true and correct. Person named above is:

☐ ENROLLED AS A FULL-TIME STUDENT

☒ IN ARMED FORCES

☐ IN PEACE CORPS VOLUNTEER SERVICE

☐ IN FULL-TIME SERVICE IN VOLUNTEERS IN SERVICE TO AMERICA *(VISTA)*

NAME OF INSTITUTION OF POST-SECONDARY EDUCATION, MILITARY ORGANIZATION, PEACE CORPS HEADQUARTERS, OR VISTA HEADQUARTERS: 323d Military Police Company, U.S. Army

OFFICIAL SEAL OR STAMP

ADDRESS *(City, State, ZIP Code)*: Fort Myers, Virginia 22208

SIGNATURE *(Registrar, Commanding Officer, Peace Corps Officer, or VISTA officer)*:
James B. Wehling
Captain, CMP, Commanding

DATE: 9/ 5/76

OE FORM 1188, 3/72

4

Health Professions Student Loans

Introduction

Authority

The Health Professions Student Loan Program is administered by the Department of Health, Education, and Welfare, Public Health Service, Health Resources Administration, Bureau of Health Manpower, Hyattsville, Maryland 20782. The authority of the Secretary of HEW to enter into agreements for the establishment and operation of health professions student loan funds derives from Title VII, Part C of the Public Health Service Act, as amended, and as implemented by regulations 42 C.F.R., Part 57, Subpart C.

Purpose

These loans are to assist students who need financial assistance to pursue a course of study leading to a degree of doctor of medicine, doctor of dental surgery or equivalent degree, doctor of osteopathy, doctor of optometry or equivalent degree, bachelor of science in pharmacy or equivalent degree, doctor of podiatry or equivalent degree, or doctor of veterinary medicine or equivalent degree.

The goal is to increase the health manpower resources of the nation by providing financial assistance in the form of long-term, low-interest (3 percent) loans to students in need who have been accepted for enrollment, or are already enrolled, in specified health professions schools. (Effective October 1977 the interest rate will be 7 percent and loans will be restricted in Colleges of Human and Osteopathic Medicine to students with "exceptional financial need." This restriction applies to those who will graduate after June 30, 1979.)

Loan Maximums

The maximum Health Professions Student Loan available to an individual borrower in an academic year or its equivalent is $3,500 or the amount of the student's need, whichever is less. However, effective October 1977, the maximum will be the cost of tuition plus $2,500.

For students enrolled in schools that have a required course of study longer than the traditional nine-month September-to-June academic year, the maximum amount of the loan may be proportionately increased. For example, if a student is required to pursue the course of study for a full twelve months, the maximum would be 12/9ths of the $3,500 which would equal $4,667 for that period; after October 1977 the maximum would be 12/9ths of $2,500 which would equal $3,334 for that period.

A student who applied for a loan after the first quarter, semester, or term, is not prohibited from receiving up to the maximum loan, provided the amount of the loan does not exceed the amount needed to be able to pursue the course of study for the remainder of the academic year.

Eligibility

Prior to July 1, 1976 (except for brief periods of time), a student in a health professions school which had a Health Professions Loan Program was prohibited from obtaining a loan from the National Direct Student Loan (NDSL) Program. As of July 1, 1976, any student in a health professions school who meets the following requirements is eligible for either a NDSL or a Health Professions Loan:

1. The borrower must be a citizen or other national of the U.S., or a permanent resident of the Trust Territory of the Pacific Islands, or one who intends to become a permanent resident of the U.S., Puerto Rico, the Virgin Islands, or Guam.
2. The borrower must be enrolled, or accepted for enrollment, as a full-time student

in a health professions school. Pre-professional students, interns, residents, and students seeking advanced training are not eligible for assistance.

3. The borrower must be in need of the requested assistance in order to pursue the full-time course of study in which he or she is enrolled or accepted for enrollment.

The Making of a Loan

Procedure

Each institution should use a system that best fits its particular philosophy and budget. Many health professions schools have their own Financial Aid Office and do their own collection work at repayment time. Others use the central Financial Aid Office and have a separate office (usually the Business Office) do the collection work. Some use a central Financial Aid Office whose responsibility it is to both grant and collect the loan. The preferable method, from a sound business and audit standpoint, is to use one office to determine need and grant the loan and another office to perform the collection work.

Using this method of operation, the following would be a typical system for the granting of a loan:

1. The student completes an application and returns it to the Financial Aid Office;
2. The Financial Aid Office determines the student's need and prepares the loan note;
3. The loan note is mailed to the student for signature of acceptance of loan terms;
4. The student returns the signed note to the Financial Aid Office;
5. The Financial Aid Officer signs the note as authority for the Business Office to disburse funds;
6. The Business Office prepares a check for the amount of disbursement.

Although not required by law, there is a definite advantage when it comes to collection if the student has actually received a check (loan) rather than having the money credited (grant or scholarship) to his or her account. It is also advantageous to make the check payable to the student *and* to the school in order to assure that the student is enrolled for sufficient credits to qualify for the loan. If the student fails to qualify, the school may then refuse to cash the check and the loan may be voided.

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Pre-Loan Counseling

Sound collection procedures presuppose reasonable discretion in lending. Each institution must be certain that students understand that they are receiving a loan which must be repaid sometime in the future. No loan should be granted until the student fully understands the agreed-upon terms of the loan and the responsibility to meet those terms.

It is recommended to have each borrower complete an information sheet during pre-loan counseling which would provide sufficient information to locate borrowers if they become "skips." The following information from each borrower will enable a school to locate most "lost" accounts:

1. Borrower's name;
2. Borrower's local address;
3. Borrower's home address;
4. Borrower's home telephone number;
5. Borrower's birth date;
6. College and major;
7. Expected graduation date;
8. Social Security number;
9. Spouse's name;
10. Spouse's employment;
11. Borrower's drivers license number and state;
12. Borrower's part-time employer;
13. Class (Fresh., Soph., Jr., Sr., Grad.);
14. Parents' name;
15. Parents' address and telephone number;
16. Parents' employer's name;
17. Parents' employer's address;
18. Brothers and sisters over the age of 18 and addresses of such; and
19. Borrower's insurance companies and addresses.

(See Appendix 1, page 145.)

The Promissory Note

Each loan to a student must be evidenced by a note which sets forth the legal conditions under which the loan is made. The note is the legal document which binds the student to the repayment obligation, the terms of the act, and the federal regulations and policies which govern the loan program. Therefore, the note must be properly completed and adequately safeguarded. The particular method of insuring such protection is the school's responsibility, but the notes should be maintained in locked, fire-proof or fire resistant storage.

The student promissory note form must contain all the pertinent requirements as set forth in the governing regulations. A common form which may be used is shown in Appendix 2 (page 146) and such forms may be obtained from HEW. If the institution produces its own note forms it should consider the following additions or changes:

1. Replacing the HEW name and address at the top of the note with the name and address of the institution.
2. Providing a place for the borrower to enter his or her permanent home address. (Some means of identification is needed when there are two students with the same name.)
3. Providing a place for the Financial Aid Officer to sign as approval. (This eliminates many questions by auditors as to whether the loan had been approved through proper channels.)

The type of note shown in Appendix 2 is called an "open-ended" note because it is open to any amount of money that advances might total. Rather than preparing a new note each year, new advances may be added to an open-ended note. This type of note is very practical for offices which approve and disburse the money as part of the same operation.

If two separate offices are used, a closed-end note is more practical. This type of note is for a fixed amount even though advances may be given several times during the year. As an example, if the Financial Aid Office awards a borrower $300.00 for the academic year, and the school is on a term basis, the note is good only for $300.00 with advances of $100.00 per term. The "promise to pay" paragraph is worded differently on the closed-end note, as follows: ". . . the sum of $____ (or so much thereof as may from time to time be advanced to me and endorsed below) with interest at the. . . ."

Truth in Lending

The Truth in Lending provision of the Consumer Credit Protection Act requires a school to make specific statements of disclosure regarding the finance charges on Health Professions Student Loans. Effective July 1, 1969, such disclosure must be made (and signed by the borrower) each time a loan commitment is made and at the time a repayment schedule is executed. A copy of the disclosure must be provided to the borrower each time (see Appendices 3 and 4, pages 148 and 149).

In-School Servicing of the Accounts

Records Check

Once the borrower has obtained a loan, a check should be made of the enrollment records on at least a semi-annual basis. If it is found that the borrower is no longer enrolled, the date of separation must be determined and the account must be placed in a repayment status.

Information Update

Many borrowers continue to receive loans as long as they remain in school. Each time they apply for a new loan, new or updated information should be obtained by having the borrower complete a new information sheet (see Appendix 1).

The Exit Interview

Purpose

Sometime prior to the borrower leaving school an exit interview should be held to assure that the borrower is aware of his or her obligation, as well as the benefits which are available under the program. All questions which the borrower might have should be answered and a thorough understanding must be reached regarding the borrower's responsibilities during the repayment period.

Responsibility

The exit interview should be conducted by the person at the institution who will have the responsibility for collection. This person must have full knowledge of the program requirements and benefits to assure that the borrower does not leave school with any doubt about what is expected.

Subject Matter to Cover

The following should be covered in the exit interview:

1. Make sure the borrower fully understands the terms and conditions of the loan. A copy of *Guide For Repayment, Deferment, and Cancellation of Health Professions Student Loans* should be provided. This pamphlet (DHEW Publication No. NIH 73–316) is designed to provide the borrower with a convenient reference on the rights and obligations and other essential information needed for the orderly retirement of the loan.

2. Arrange a repayment schedule and agree upon the date of the first payment. The borrower must be given the option to choose between at least one equal and one graduated periodic plan unless the school has included the minimum repayment option and the loan would fall into that category. The institution also has the option of choosing the frequency of each payment (monthly, bi-monthly, quarterly, semi-annually, annually), but it cannot be less frequent than annual and shall commence not later than the end of the first year of the repayment period.

3. Obtain clear agreement on the amount borrowed and the amount due for each installment. The notes should be available for inspection by the borrower in order to eliminate any question. If the school so chooses, the *minimum* payment will be $15.00 per month ($180.00 per year), but if this will impose a hardship on the borrower, payments may be less with the mutual consent of the school and the borrower. *The maximum length of repayment is ten years,* and minimum payments cannot extend repayment beyond this maximum period.

4. Have the borrower sign the repayment agreement and the Truth in Lending form, giving the borrower a copy of each and placing a copy in his or her file (see Appendix 4).

5. Review skip-tracing information, or at least make sure that someone other than the borrower is listed with an address and telephone number.

6. Direct the borrower's attention to the advantages of prepayments during the grace period. (These are not, and may not, be required.)

7. Make the borrower aware of the importance of paying promptly or contacting the school prior to the due date if payment cannot be made for any reason.

8. Inform the borrower of the need for the collection staff to be informed of any change in name or address.

9. Cover the deferment and cancellation provisions in writing and acquaint the borrower with the required forms.

10. Inform borrowers of the billing system to be used to assure them that statements will be sent or that coupon books will be provided.

Every effort must be taken to provide an "in person" exit interview, with materials provided in writing. This should include "drop-outs" as well as graduates. If the interview cannot be conducted in person, it must be completed by mail. In either case, a signed repayment agreement should, if at all possible, be obtained and attached to, and become a part of, the note.

The Billing Process

Due Diligence

Reasonable care and diligence must be exercised in the collection of Health Professions Student Loans, not only with regard to borrowers, but with regard to endorsers whose signatures were obtained as security. This means that the institution must utilize collection practices no less extensive and forceful than those used on other loans of comparable size at the institution. Statements must be sent on a timely basis and the use of collection agencies and litigation will be deemed necessary if the borrower fails to respond to requests for payment.

Response to written inquiries and other communications from the borrower and any proper endorser must be made on a timely basis. The lack of a timely response will give an indication to a borrower of a poorly run program and will foster delinquencies.

Grace Period Notice

The grace period consists of twelve *consecutive* months (36 consecutive months on loans made prior to July 1, 1969), beginning on the first day of the month nearest to the date the student ceases to be a full-time student pursuing an eligible course of study at a health professions school. The grace period expires when the borrower has been away from full-time student status at the lending school or another health professions school for such a continuous twelve- or thirty-six-month period regardless of whether he or she is in eligible deferment status or professional practice eligible for repayment or cancellation of loans. During this period of time, payment is not required and interest does not accrue on the loan.

As a courtesy to the borrower, and as an aid in preparing for the billing process, a grace period notice should be sent to the borrower at least 30 days prior to the date on which the grace period ends. This is a good time to again remind borrowers of their rights and obligations. The grace period notice should also remind borrowers that the opportunity to make interest-free payments is about to end, when the first payment will be required, and how much each payment will be. If the notice is returned by mail, there will still be an opportunity to locate a correct address for the borrower before payments begin.

First Statement

Prompt billing, in a consistent manner and on a statement form which provides sufficient information for the borrower to fully understand the status of his or her account, is probably the single most important factor in keeping accounts current. Therefore, an advance notice should be mailed to the borrower approximately 15 to 30 days prior to each payment coming due. The statement should include the following information and be the type that would allow the borrower to keep the information portion and return a stub showing the borrower's name and account number:

1. Name and address;
2. Account number;
3. Total amount borrowed;
4. Total principal paid;
5. Total interest paid;
6. Total principal cancelled;
7. Total interest cancelled;
8. Outstanding balance;
9. Current principal due;
10. Current interest due;
11. Past due principal (if any);
12. Past due interest (if any);
13. Total amount due for the month;
14. Total amount due if payment in full;
15. Finance charge stated in percentage amount;
16. Date payment due;
17. Date of last activity;
18. To whom checks should be made payable; and
19. Address where the payment should be sent.

If a window return envelope is used, a borrower is almost forced to return the school's portion of the statement. This is important as a means of making sure the payment is credited to the right account (see Appendices 5 and 6, pages 150 and 151).

Follow-Up

When a borrower becomes delinquent in making a payment, the institution must follow-up on the account within 15 days of the due date through the use of letters, statements, telephone calls, or personal contacts. Each contact should become progressively more firm in tone. If such efforts are unsuccessful, they must be repeated with respect to any proper endorser on the loan.

The continued mailing of a series of statements or letters to the same address when it is clear that the borrower (or endorser) no longer resides there is not due diligence. An institution must attempt to find a correct address through the use of any information obtained from the borrower or through such offices as the Registrar's Office or the Alumni Office. If a borrower cannot be located from information available at the school, a commercial skip-tracing firm should be used.

Once an account becomes delinquent, the school may wish to withhold all further services (transcripts, letters of recommendation, alumni materials, publications, placement information, etc.) until the account has been brought current or until satisfactory arrangements have been agreed upon. However, serious consideration should be given to releasing transcripts directly to a prospective employer, since a borrower may be hard-pressed to bring the account current without a job. It is recommended that legal counsel be consulted before taking the above actions.

60 Days Delinquent

If the loan becomes 60 days delinquent, the institution must again contact the borrower. This contact may be in the form of a statement containing a message about the seriousness of the account or it may be in the form of a letter. In either case, the borrower must be made aware that the institution plans to pursue collection through all available sources.

90 Days Delinquent

If the loan becomes 90 days delinquent, a final notice should be sent to the borrower and the endorser. This final statement or letter must be stronger than the previous notices and may indicate to the borrower the action which will be taken if he or she fails to respond.

It is permissable to use this letter as the last contact by the school. If this is the case, then the school *must* inform the borrower that the account will be referred to a collection agency or to legal counsel, whichever is appropriate for the school, if the account has not been paid or otherwise adjusted by a date determined by the school (normally 15 days).

120 Days Delinquent

If the school does not use the 90-day notice as the final demand, and if the borrower has not responded by 120 days, the institution may make one last attempt for settlement before placing the account with a collection agency or an attorney. This letter should be registered with a return receipt requested and should contain sufficient information to inform the borrower of the consequences of not responding. The fact that the loan will be referred to a collection agency or to an attorney will, in many cases, prompt the borrower to respond. The borrower must be given sufficient time to respond to this final demand. However, once the borrower has been informed of the action that will be taken, there should be no hesitation to take the necessary steps. Failure to act on demands will help neither the borrower, the school, nor the Health Professions Program (see Appendix 7, page 152).

Interruption of the Billing Process

Causes

There are several reasons why an interruption in the normal billing process may take place. When such happens, certain steps need to be taken to document the fact that the borrower's account is not delinquent even though payments have stopped. For Health Professions Student Loans, reasons for interruption fall into three categories: cancellation, postponement, and deferment.

Cancellation

There are four reasons for granting cancellation: death, disability, bankruptcy, and practice in a shortage area.

1. *Death*——Upon the death of a borrower, the unpaid balance of the loan and accrued interest thereon shall be cancelled. The school may not attempt to collect on the loan from an endorser or the borrower's estate.

To claim cancellation, the executor of the borrower's estate must submit to the school a death certificate or such other official proof as is conclusive under state law. The institution must then retain such proof for audit purposes and be reimbursed by the Bureau of Health Manpower for its portion of the loan which is cancelled.

2. *Disability*——a borrower is entitled to cancellation of the indebtedness in the event of permanent and total disability. "Permanent and total disability" is defined as being unable to engage in any substantial gainful activity because of a medically determinable impairment, which impairment is expected to continue for a long and indefinite period of time or result in death. Such a determination shall be made by the Secretary of HEW on the recommendation of the institution, supported by such medical certification relating to the borrower's disability as may be required. The institution should not attempt to collect on the loan from the borrower or endorser once there is reason to believe that a borrower has become totally and permanently disabled.

To claim cancellation for disability, a borrower should submit a formal request to the school indicating: (A) date entered, date graduated, or date studies terminated; (B) total amount of loans obtained; (C) amount of unpaid balance; (D) nature and date of onset of the disability; (E) employment prior to disability; and (F) medical examinations and/or treatment, and the names of doctors and/or hospitals.

The borrower is required to consent in writing for the release of pertinent information on the disability from any physician, hospital, or institution having such medical records, to the school and to the Division of Physician and Health Professions Education as may be needed to determine eligibility for the cancellation of the loan.

The institution should then forward to each physician a copy of the claimant's signed consent for release of information, requesting a medical report and explaining the general provisions of the program pertaining to cancellation of a loan on the ground of the borrower's permanent and total disability. The report should be sufficiently detailed to provide for comprehensive review to determine the nature, duration, and extent of impairment.

The institution should then forward its recommendation, accompanied by medical certification, to the Division of Physician and Health Professions Education for review and final determination by the Secretary of HEW. The school will be formally notified of the Secretary's decision. Such notification should be retained in the student's school file as a permanent record for audit and other review purposes.

3. *Bankruptcy*——When a borrower files for bankruptcy, further pursuit of collection is not permitted. However, the institution must file a claim with the bankruptcy court stating the amount of the outstanding debt including interest. If the school has a legal basis for objecting to the discharge of the debt, a statement to that effect must also be filed with the court.

To claim cancellation for bankruptcy, the school must have received notice to creditors and the discharge of bankruptcy from the bankruptcy court. This discharge usually can be obtained approximately six months after the first meeting of the creditors. The discharge verification must be kept by the institution as official proof of the cancellation.

4. *Practice in a shortage area*——Health Professions Student Loans made prior to November 18, 1971 may qualify for cancellation in accordance with the following provisions:

A. *Eligibility*——To be eligible for such loan cancellation, a borrower must (i) have received Health Professions Student Loans prior to November 18, 1971, (ii) be licensed to practice medicine, osteopathy, dentistry, or optometry; (iii) practice his or her profession in a designated shortage area for twelve consecutive months; and (iv) have the appropriate state health authority certify that his or her practice is helping to meet the need for such professional services. A borrower desiring to utilize the forgiveness benefit is responsible for initiating action to establish eligibility for and claim entitlement to cancellation of loan installment payments.

B. *50 percent loan cancellation*——If a borrower, in accordance with paragraph (A) above, practices in a designated shortage area and the appropriate state health authority certifies that such practice has helped to meet the area's need for health services, such borrower is entitled to cancellation of up to 50 percent of the amount of his or her loan that is unpaid on the first day of such practice plus accrued interest thereon, at the rate of 10 percent of such unpaid amount for each complete year of such practice.

C. *100 percent loan cancellation*——If a borrower, in accordance with paragraph (A) above, practices in a shortage area which has been determined by the Secretary of HEW, pursuant to regulations and after consultation with the appropriate state health authority, to be a rural area characterized by low family income, such borrower is entitled to cancellation of up to 100 percent of the amount of his or her loan that is unpaid on the first day of such practice, plus accrued interest thereon, at the rate of 15 percent of such unpaid amount for each complete year of such practice.

A borrower who intends to apply for cancellation for practicing in a designated shortage area may obtain information on shortage areas from HEW's "List of Designated Shortage Areas." However, in order to receive cancellation of such loans in accordance with provisions in effect prior to November 18, 1971, the borrower must first contact the appropriate state health authority to request "assurance" that practice in a specific area will entitle him or her to cancellation of Health Professions Student Loans at the end of a complete year of such practice.

All forms necessary for cancellation, as well as lists of shortage areas, have been provided to each participating school. The forms needed and their purpose are:

1. *Request for Assurance*——A borrower, licensed to practice medicine, osteopathy, dentistry, or optometry, and intending to apply for cancellation, obtains information on designated shortage areas from the appropriate state health authority or the school from which the loan was obtained; selects a shortage area for the establishment of his or her practice; and seeks assurance for the selected area by submitting a *Request for Assurance* (Form HRA-367) to the appropriate state health authority. The validated assurance guarantees the borrower that after twelve continuous months of practice in the designated area he or she will qualify for loan cancellation, even if the area ceases to be designated as a shortage area.

An assurance for an area should not be requested more than six months in advance of the date that the borrower plans to begin practicing in the area. Assurances expire eight months from the date of issuance unless practice is begun and the state health authority is notified. When a borrower finds that he or she cannot begin practice before the assurance expires, he or she may be provided with an extension of time, if extension is considered appropriate by the state health authority.

The state health authority should be notified if the borrower decides not to practice in a shortage area for which he or she had been granted an assurance (see Appendix 8, page 153).

2. *Notice of Practice*——To claim entitlement to loan cancellation, a borrower must notify the state health authority and the Division of Physician and Health Professions Education of the date he or she began providing professional services in the area by filing a *Notice of Practice* in shortage area (Form HRA-36-8). A borrower practicing in an area before it was designated a shortage area will be credited with practice, for purposes of cancellation, from the date of designation as a shortage area.

The notification must be submitted to the state health authority and the Division of Physician and Health Professions Education before the assurance expires. So long as a borrower practices continuously in the area and files a *Notice of Practice* annually (not later than two weeks from the borrower's anniversary date of beginning practice in the area), he or she retains eligibility for cancellation of the appropriate amount of a loan even though the area may cease to be designated as a shortage area.

The state health authority should be notified immediately upon the borrower's termination of practice in a shortage area so that the assurance for that area may be granted to another applicant (see Appendix 9, page 154).

3. *Request for Partial Cancellation of Loan*——At the end of each year of practice, a borrower requests certification of his or her eligibility for loan cancellation by submitting a *Request for Partial Cancellation of Loan* (Form HRA-36-10) to the state health authority, which then forwards the certified request to the lending school in order that partial cancellation may be effected (see Appendix 10, page 155).

A borrower practicing in a shortage area during the grace period would follow the same procedure.

Upon receipt of the *Request for Partial Cancellation of Loan,* with the state health authority's certification that a borrower has met all requirements for entitlement to such cancellation, the lending institution determines the amount of principal and interest to be cancelled. The "List of Designated Shortage Areas" should be checked to verify the appropriate rate of cancellation (i.e., 10 percent per year, or 15 percent per year). The institution then credits the borrower's account for the amount of principal and interest cancelled and completes Part III of the form, returning one copy to the borrower and forwarding one copy to the Division of Physician and Health Professions Education.

One copy of the form must be retained by the institution to support accounting entries made at the time the cancellation is effected. This process is repeated on completion of each year of eligible practice for which the borrower requests cancellation.

When the amount cancelled is less than the required annual payment, the borrower must submit a check or money order in the amount of the difference to the school at the time he or she submits the *Request for Partial Cancellation of Loan* to the state health authority.

The institution will determine the amount to be cancelled by establishing the base amount of the loan. It is the base amount to which the 10 percent for practice in a shortage area, or the 15 percent for practice in a rural shortage area, is applied.

The base amount of a loan is the amount of principal actually owed by the borrower on the first day of his or her practice in a shortage area (i.e., the first day he or she is available to begin providing professional service to the public), or the amount he or she would owe at that time had all repayments due under the terms of the note been made, whichever is less. (For example: The total amount of a borrower's Health Professions Loan is $1,000; the borrower repays $100 before beginning practice in a shortage area which would entitle him or her to claim cancellation at the rate of 10 percent per year for each complete year of such practice; the base amount of the loan is $900. Up to 50 percent of the total unpaid amount of the loan is cancellable ($450) at the rate of 10 percent per year ($90 per year) for each complete year of service.)

The base amount remains fixed for the duration of the repayment period, even though the borrower may discontinue his or her practice in the area and, at a later date, begin practicing in the same or another shortage area. The first day of practice in a shortage area is the first day of the first complete year of practice on which cancellation for professional practice may be predicated.

A borrower who is entitled to cancellation of 10 or 15 percent of the base amount of a loan is also entitled to cancellation of all interest which has accrued on the unpaid balance of the loan during the twelve months of practice in the shortage area.

Postponement

Should a borrower's repayment installment become due before the end of a complete year of practice, he or she must submit to the lending school a *Request for Postponement of Installment Payment* (Form HRA-36-9) to defer payment until he or she is eligible for cancellation. The first postponement request must be accompanied by a copy of a validated *Request for Assurance* form to assure the school that he or she is entitled to such postponement (see Appendix 11, page 156).

Deferment

A borrower may be eligible for periods of deferment during which interest does not accrue on the loan and repayment of principal is not required. There are four types of deferment: student status, uniformed services, Peace Corps, and advanced professional training.

1. *Student Status*——When a borrower ceases to pursue a full-time course of study at a health professions school, but re-enters the same or another health professions school within the grace period, payments of principal will not be required as long as he or she remains a full-time student. In addition, the borrower will still remain eligible for a grace period beyond the time he or she again ceases to be a full-time student. Again, a grace period consists of twelve *consecutive* months (thirty-six months if the loan was granted prior to July 1, 1969), not cumulative months.

A deferment form (provided by the institution) must be completed by the borrower indicating the period of student status. The form would then be certified by the Registrar's Office and returned to the lending institution (see Appendix 12, page 157).

2. *Uniformed Services*——Deferment, not to exceed three years, may be granted while the borrower is a member on active duty in the uniformed services of the United States (Army, Navy, Marine Corps, Air Force, Coast Guard, National Ocean Survey, U.S. Public Health Service). Such service performed during the grace period does not extend the length of the grace period.

A deferment form must be completed by the borrower, certified by the commanding officer, and returned to the institution before deferment can be granted. Repayment will resume immediately upon release from active duty, or at the end of the three-year period, whichever comes first (see Appendix 12).

3. *Peace Corps*——Deferment, not to exceed three years, may be granted while the borrower is in service as a volunteer under the Peace Corps Act. Service performed during the grace period does not extend the length of the grace period.

A deferment form must be completed by the borrower, certified by a Peace Corps official, and returned to the institution before deferment can be granted. Repayment will resume immediately upon release from the Peace Corps or at the end of the three-year period, whichever comes first (see Appendix 12).

4. *Advanced Professional Training*——If a borrower pursues advanced professional training, deferment may be granted according to the criteria set forth below. Advanced professional training includes internship and residency programs and/or full-time training beyond the first professional degree of at least one academic year which is provided by an accredited institution or an affiliate thereof, and which will advance the borrower's knowledge of and strengthen his or her skills in the health profession for the study of which he or she received the loan. The program provides for three separate criteria in extending deferment for advanced professional training:

A. For loans made on or after November 18, 1971, there is no limitation on periods of advanced professional training during which repayment may be deferred.

B. For loans made before November 18, 1971, but after June 30, 1969, deferrable periods of advanced professional training are limited to five years.

C. For loans made before July 1, 1969 (which have a three-year grace period), periods up to a total of five years of advanced professional training performed after June 30, 1969 may be deferred when requested by the borrower and agreed to by the institution which made the loan, and the Secretary of HEW; provided that in no case may the total length of the periods so excluded from the repayment period and the grace period exceed six years. For purposes of this provision, the Secretary of HEW agrees that periods which meet the definition for advanced professional training and do not exceed the time limits specified above be deferred from a borrower's repayment period. The institution should apply its policy in granting such deferments consistently for all borrowers.

Service performed during the grace period does not extend the length of the grace period.

A deferment form must be completed by the borrower, certified by an authorized official at the place of the advanced professional training, and then returned to the school before deferment can be granted. Repayment will resume immediately upon completion of the advanced professional training (see Appendix 12).

Institutions should remember that deferments are granted on those payments which come due while the borrower is in a deferred status. Therefore, those deferments with a limitation as to the length of time allowed (uniformed service, Peace Corps, and advanced professional training on loans made before November 18, 1971) may not begin until payments are due. (For example: A borrower leaves school in June 1975. His or her first payment is due June 1, 1976. The borrower enters the uniformed service in June 1975. The three-year limitation for uniformed service would begin with the June 1976 payment and would end in June 1979.)

It is the responsibility of the borrower seeking deferment of repayment of a loan to assure that the properly executed form is forwarded to the school from which the loan was made at each of the following times: (1) when the first repayment installment is due; (2) annually thereafter as long as deferment status is claimed; and (3) upon termination of deferment status.

Loar. Repayment by Government

Under certain conditions, and subject to the availability of funds, the Secretary of HEW may repay all or a part of the borrower's loan. As far as the institution is concerned, this is not a cancellation because the loan is being repaid rather than cancelled. For the borrower it is the same as a cancellation, since all or a part of the remaining balance of the loan is paid by someone other than the borrower.

Payments by the Secretary of HEW will be made if the borrower:

1. *Is in professional practice in a shortage area*——The Comprehensive Health Manpower Training Act of 1971 revised the Health Professions Student Loan Program to provide that the Secretary may enter into agreements with individuals who have received a degree of doctor of medicine, doctor of dental surgery or an equivalent degree, doctor of osteopathy, doctor optometry or an equivalent degree, doctor of podiatry or an equivalent degree, bachelor of science in pharmacy or an equivalent degree, or doctor of veterinary medicine or an equivalent degree; to repay a portion of their Health Professions Student Loans and any other education loans received for the costs of attending a school of medicine, dentistry, optometry, pharmacy, or podiatry. (Effective October 12, 1976 the Secretary will only repay Health Professions Student Loans. Other educational loans will not be repaid.) In return, the individual agrees to practice his or her profession for a period of at least two consecutive years in an area in a state determined by the Secretary, after consultation with the appropriate state health authority, to have a shortage of and need for persons trained in his or her profession.

The borrower must agree to spend all, or substantially all, of his or her professional time during such period providing services to the population within the shortage area in which he or she agrees to serve.

An individual may enter a two-year agreement or a three-year agreement whereby portions of his or her educational loans determined to be eligible for repayment under such an agreement, and which are outstanding at the beginning of the period of service as specified in such agreement, will be repaid as each loan installment falls due, with an additional payment at the end of the period of service under the agreement to bring the total payment by the Secretary up to the following amounts:

A. Upon completion of the second year of practice as specified in the agreement, 60 percent of the principal (and interest thereon) of each such loan which is outstanding on the date such practice began will be repaid.

B. Upon completion of a third year of such practice, an additional 25 percent, up to 85 percent, of the principal (and interest thereon) of each such loan will be repaid.

The borrower must submit to the Secretary of HEW annually a report containing such information as the Secretary shall specify regarding the service in the shortage area and shall inform the Secretary immediately of any change of address or if he or she ceases to serve in the shortage area as specified in the agreement.

If the borrower should fail to complete two years of service in the shortage area pursuant to the agreement, he or she shall be liable to reimburse the Secretary for any payments of principal and interest made on his or her behalf. If the borrower should fail to complete a third consecutive year of service in the shortage area, he or she shall be liable to reimburse the Secretary for any payments of principal and interest made on his or her behalf for the third year of such service under the terms of the agreement. Payments of such reimbursements will be immediately due and payable to the Secretary.

The Secretary's authority to enter into agreements is discretionary, subject to the availability of funding for this provision, the individual's eligibility to enter such an agreement, and the reasonableness of the educational loans for which repayment is being requested.

This manual is not intended to provide detailed information concerning this agreement between borrowers and the Secretary of HEW. Information on eligibility for entering an agreement, procedures for application, determination of eligible loans to be repaid, how repayments will be made, and so forth is provided in the materials included in an "Application to Enter Agreement Kit." Included in the kit are a handbook of information for health professionals entitled *Entering an Agreement To Practice In a Shortage Area,* a *Request to Enter Agreement* (Form NIH-2055-1), and a *Disclosure and Confirmation of Educational Loan*

(Form NIH-2055-2), with joint instructions and a sample agreement. Completed *Request to Enter Agreement* forms must be submitted to the Division of Physician and Health Professions Education of the Bureau of Health Manpower.

2. *Fails to complete the course of study leading to the first professional degree for which the loan was made*——An applicant will be considered to have failed to complete the course of study leading to his or her first professional degree for which an eligible educational loan was made upon certification by a health professions school that the individual ceased to be enrolled in such school subsequent to November 17, 1971.

3. *Is in exceptionally needy circumstances*——An applicant will be considered to be in exceptionally needy circumstances if, upon comparison of the income and other financial resources of the applicant with his or her expenses and financial obligations, the Secretary determines that repayment of such loan would constitute a serious economic burden on the applicant. In making such determination the Secretary shall take into consideration the net financial assets of the applicant and the relationship of the income available to the applicant to the low-income levels published annually by the Secretary.

4. *Is from a low-income or disadvantaged family*——An applicant will be considered to be from a low-income family if the applicant comes from a family with an annual income below a level based on low-income thresholds by family size published by the U.S. Bureau of the Census, adjusted annually for changes in the Consumer Price Index and multiplied by a factor to be determined by the Secretary for adaptation to this program, and the family has no substantial net financial assets. Such factor and income levels as adjusted will be published annually by the Secretary in the *Federal Register*.

An applicant will be considered to be from a disadvantaged family if the individual comes from a family in which the annual income minus unusual expenses which contribute to the economic burdens borne by the family does not exceed the low-income levels published by the Secretary pursuant to the preceding paragraph of this section and the family has no substantial net financial assets.

5. *Has not resumed, or cannot reasonably be expected to resume, the study of medicine, osteopathy, dentistry, veterinary medicine, optometry, pharmacy, or podiatry within a period of two years following the date upon which the borrower ceased to pursue the course of study for which the loan was made*——An applicant will be considered as not having resumed his or her health professions studies within two years following the date the individual ceased to be a student upon a certification so stating from the applicant; and an applicant will be considered as not reasonably expected to resume his or her health professions studies within two years following the date upon which he or she terminated such studies based upon consideration of the reasons for the applicant's failure to complete these studies, taking into account such factors as academic, medical, or financial difficulties.

(NOTE: The Secretary of HEW shall only repay educational loans made subsequent to November 17, 1971.)

The Collection Process

At 120 days past due (90 days if the school so chooses), the institution should have notified the borrower of pending collection agency action as described earlier (see page 136). A borrower should be given sufficient time to respond; a normal time limit is 15 days.

If the borrower responds by making payment, the collection efforts were successful and the collector can move on to other accounts. If partial payment is made by the borrower, the collector's job is only partially completed and constant and regular follow-up must be maintained to keep payments coming. If the borrower responds by sending a letter explaining why payment has not been completed, then the collector, based on the contents of the letter, must decide on the appropriate action to be taken. This action could consist of rewriting the repayment schedule to fit the borrowers ability to pay, agreeing to monthly payments which will bring the past due amount current, or deciding that the borrower is able to pay but will not.

Failure of the borrower to respond (or if it appears that the borrower could pay but will not) should result in the account being referred to a collection agency without delay. It is recommended that only the amount due be referred to the agency, since future payments normally get paid when due once a borrower learns that the school is serious about collection.

The cost of using a collection agency may be charged to the fund as long as the fees are not in excess of normal and reasonable fees required for such services. However, the costs must be approved by the Division of Physician and Health Professions Education before contracting with the agency.

The school must maintain records of the status of accounts at the agencies. If it appears that no effective action is being taken by the agency, the school should consider placing the account with another agency.

Litigation

Enforcing payment of a Health Professions Student Loan by legally proceeding against the maker or co-maker (if any) is always a matter of last resort to be used after all other attempts at negotiation have failed. If enforced action appears necessary, the fiscal officer, under his or her responsibility to the student loan fund, should not hesitate to take the necessary steps. To delay action which is inevitable does not help the borrower, the co-maker (if any), nor the student loan fund.

Some institutions are reluctant to institute legal action because such action frequently results in an uncollectible judgment. This conclusion appears questionable when viewed in terms of potential earnings, inheritance, and accumulation of possessions by the borrower. Although a judgment debtor may have no real or personal property at the time of the legal proceedings, the law is such that procuring a judgment has a salutary effect on most individuals whose payments are substantially overdue. Also, judgments are good for ten years in most states and can be renewed. The costs in most cases are minimal and in many cases result in repayment of the loan.

The statutory provision allowing expenditures from the Health Professions Loan Fund for costs of litigation implies that schools may proceed with litigation, when necessary, in the collection of loans. After exhausting all other possibilities, the account should be transferred officially to an attorney for this purpose.

Who Shall Represent the Institution?

Jurisdictional problems confront institutions when borrowers leave the school and establish residence in a state other than the one in which the loan was made. In some of these situations the institution's attorney is without power in a state in which he or she does not hold membership in the state Bar Association. When legal action becomes necessary to collect a loan, special procedures must be followed. Customarily, the institution's attorney, through a Bar Association, arranges to have a corresponding attorney handle the case.

An alternate procedure in such cases is to utilize the services of an established, reputable, credit and collection organization known to use accepted ethical business practices. With approval of the school, a credit and collection organization may refer delinquent accounts to an attorney for litigation. The loan fund may be charged for legal fees arising in connection with collection of these accounts.

Attorneys are required to abide by the standards of the local Bar Association and to limit fees to the established local schedule.

Normally the school would use the same agency to arrange for legal action as has been used for delinquent collections. If this is the case, the full amount of the outstanding loan should be made due and payable in order to eliminate the need for further legal action.

Uncollectible Loans

Under the Federal Capital Contribution plan, a loan is not written off as uncollectible until the end of the program, inasmuch as the governing statute for this program does not authorize the expenditure of student loan funds for such losses. Therefore, an institution must continue to carry outstanding loans on its books as long as the Health Professions Student Loan Program remains in existence, or until legislation provides for an alternate method.

FOR FURTHER INFORMATION. . . . see *Health Professions and Nursing Student Loan and Scholarship Programs: Manual of Information, Policies and Procedures*, available from HEW, Public Health Service, Health Resources Administration, Bureau of Health Manpower, Hyattsville, Maryland 20782.

Appendix 1

Personal and Confidential Information

To be completed by the student: Date________
(PLEASE PRINT)

NAME________ (Last) (First) (Middle Initial) STUDENT NUMBER________

LOCAL ADDRESS: *PERMANENT ADDRESS:*

STREET (inc. Apt. #)________ STREET (inc. Apt. #)________

CITY________ CITY________

STATE________ ZIP________ STATE________ ZIP________

TELEPHONE NO.________ TELEPHONE NO.________ (area code)

Birth Date________ Social Security Number________

Driver's License Number________ State________

Your Part-time Job (Company Name)________

College________ Major________

CLASS: Fresh.____ Soph.____ Jr.____ Sr.____ Grad.____ Exp. Graduation Date________

Spouse's Name________ Spouse's Employment________

PARENT OR GUARDIAN:

Name________ (First) (Initial) (Last)

Street (inc. Apt. #)________ Telephone________ (area code)

City________ State________ Zip Code________

Parent's Employer's Name________

Employer's Business Address________ (City) (State)

Brothers and Sisters over 18 not living at home, (List married name of sisters, for example: Mrs. Robert R. Anderson.)

Name________ Address________

Name________ Address________

PERSONAL REFERENCES:

Name________ Address________

Name________ Address________

INSURANCE COMPANY OR AGENT:

Automobile________ Address________

Life________ Address________

THIS FORM MUST BE COMPLETED BEFORE FINANCIAL AID CAN BE ISSUED.

Appendix 2

U. S. DEPARTMENT OF
HEALTH, EDUCATION, AND WELFARE
PUBLIC HEALTH SERVICE – NATIONAL INSTITUTES OF HEALTH
BUREAU OF HEALTH MANPOWER EDUCATION
9000 Rockville Pike
Bethesda, Maryland 20014

HEALTH PROFESSIONS AND NURSING STUDENT LOAN PROGRAMS

STUDENT PROMISSORY NOTE

I, ______________________________, hereinafter called the Maker, promise to pay to ______________________________ *(Name of Institution)*, hereinafter called the Institution, located at ______________________________ *(City and State)*, the sum of such amounts as may from time to time be advanced to me and endorsed in the Schedule of Advances below with interest at the rate of **Three (3)** percent per annum together with all attorney's fees and related costs and charges for the collection of any amount not paid when in default according to the terms of this note.

SCHEDULE OF ADVANCES

NUMBER	AMOUNT ADVANCED	TOTAL TO DATE	DATE	SIGNATURE OF MAKER
1				
2				
3				
4				
5				
6				
7				
8				
9				

The Maker further understands and agrees, and it is understood between the parties that:

I. In the event that more than one loan is made to the Maker from either the Health Professions Student Loan Fund or the Nursing Student Loan Fund of the Institution, the sum of the amounts advanced to the Maker shall, for repayment purposes, be combined into and regarded as the total loan made to the Maker representing his total indebtedness to the Fund. Furthermore, each payment made by the Maker to the Institution shall be applied to the principal sum of the total loan and to interest which has accrued on the unpaid balance thereof.

II. All sums advanced pursuant to this Note are drawn from a fund created under Part C of Title VII or Part B of Title VIII of the Public Health Service Act, as amended. Such terms of this Note as are subject to interpretation shall be construed in the light of Federal Regulations pertaining to such Act, copies of which shall be kept by the Institution.

III. Repayment of the principal of the total loan, together with accrued interest thereon, shall be made over a 10–year repayment period, except that the Institution may provide that payments of principal and interest by the Maker shall be at a rate equal to not less than $15 per month. For Health Professions Student Loans, the period commences one year after the Maker ceases to pursue a full-time course of study at a school as prescribed by Sec. 740 of the Public Health Service Act, as amended, and ends 11 years after such date. For Nursing Student Loans, the period commences nine months after the Maker ceases to pursue a full-time or half-time course of study at a school of nursing as prescribed by Sec. 822 of the Public Health Service Act, as amended, and ends 10 years and nine months after such date. Interest shall accrue from the beginning of such repayment period. Repayment of principal, together with accrued interest thereon, shall be made in equal or graduated periodic installments in accordance with the terms of a schedule approved by the Institution and the Secretary of Health, Education, and Welfare, and agreed to by the Maker, but such installments shall in no case be paid less frequently than annually and shall commence not later than the end of the first year of the repayment period.

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OVER

IV. This Note is subject also to the following conditions:

A. The Maker may, at his option and without penalty, prepay all or any part of the principal and accrued interest at any time.

B. The Institution may assess a late penalty charge for failure of the Maker to pay all or any part of an installment when it is due, or for failure to file timely and satisfactory evidence of entitlement to deferment or cancellation of part or all of loan, if so entitled, at the rate of $1 for the first month or part thereof by which such installment is late, and $2 for each month or part thereof thereafter.

C. In the event of the Maker's total and permanent disability or death, the unpaid indebtedness hereunder shall be canceled.

D. The Maker undertakes to inform the Institution to which he is indebted under this Note of any change in his address after he ceases to be a full-time student (or half-time nursing student) at such Institution.

E. Deferment – Interest shall not accrue on the loan and installments need not be paid during the following periods:

1. *Health Professions Student Loan* – Active duty as a member of a uniformed service of the United States or as a volunteer under the Peace Corps Act, for up to three years; while pursuing advanced professional training, including internships and residencies.

2. *Nursing Student Loan* – Active duty as a member of a uniformed service of the United States or as a volunteer under the Peace Corps Act, for up to three years; while pursuing a full-time course of study at a collegiate school of nursing leading to a baccalaureate degree in nursing or equivalent degree, or a graduate degree in nursing, or otherwise pursuing advanced professional training in nursing, for up to five years.

F. Cancellation or Repayment by the Secretary

1. *Health Professions Student Loan*

a. In accordance with Section 741(f) of the Act and the implementing regulations, and subject to the availability of funds, an eligible Maker and the Secretary may enter into an agreement whereby the Maker agrees to practice his profession for at least a two-year period in a designated shortage area and the Secretary agrees to repay a portion of the Maker's loan under this Note at a rate of thirty (30) percent of the principal plus interest thereon for each of the first and second years of completed practice and an additional twenty-five (25) percent for a third year of such practice, up to a maximum of eighty-five (85) percent of the principal which was outstanding on the date the Maker began such practice.

b. In accordance with Section 741(l) of the Act and the implementing regulations, and subject to the availability of funds, the Secretary may repay, upon application by the Maker, all or any part of the Maker's loan under this Note, plus interest thereon, which is outstanding on the date the Secretary determines that the Maker:

(1) failed to complete the course of study leading to his first professional degree for which such loan was made;
(2) is in exceptionally needy circumstances;
(3) is from a low-income or disadvantaged family; *and*
(4) has not resumed, or cannot reasonably be expected to resume the study of medicine, osteopathy, dentistry, veterinary medicine, optometry, pharmacy, or podiatry within a period of two years following the date upon which the Maker ceased to pursue the course of study for which the loan was made.

2. *Nursing Student Loan*

a. Up to 85 percent of the amount of any loan, plus accrued interest thereon, made to a borrower from a Nursing Student Loan Fund may be canceled when the Maker is employed full-time as a registered nurse (including teaching in any of the fields of nurse training and service as an administrator, supervisor, or consultant in any of the fields of nursing) in any public or nonprofit private agency, institution, or organization (including neighborhood health centers), at the rate of 15 percent of the amount of such loan (plus interest) that was unpaid on the first day of such employment for each of the first, second, and third complete year the Maker engages in such employment, and 20 percent of such amount (plus interest) for each complete fourth and fifth year that the Maker engages in such employment.

b. In accordance with Section 823(h) of the Act and the implementing regulations, and subject to the availability of funds, an eligible Maker and the Secretary may enter into an agreement whereby the Maker agrees to serve as a registered nurse for at least a two-year period in a designated shortage area and the Secretary agrees to repay a portion of the Maker's loan under this Note at a rate of thirty (30) percent of the principal plus interest thereon for each of the first and second years of completed service and an additional twenty-five (25) percent for a third year of such service, up to a maximum of eighty-five (85) percent of the principal which was outstanding on the date the Maker began such service.

c. In accordance with Section 830 of the Act and the implementing regulations, and subject to the availability of funds, the Secretary may repay, upon application by the Maker, all or any part of the Maker's loan under this Note, plus interest thereon, which is outstanding on the date the Secretary determines that the Maker:

(1) failed to complete the nursing studies with respect to which such loan was made;
(2) is in exceptionally needy circumstances;
(3) is from a low-income or disadvantaged family; *and*
(4) has not resumed, or cannot reasonably be expected to resume such nursing studies within a period of two years following the date upon which the Maker ceased to pursue the course of study for which the loan was made.

______________________ (Date)   ______________________________ (Signature of Maker)

CAVEAT – *This note shall be executed without security and without endorsement, except that, if the Maker is a minor and this note would not, under State Law, create a binding obligation, either security or endorsement may be required The payee shall supply a copy of this note to the Maker.*

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Appendix 3

Sample Truth in Lending Form

(to be executed at the time a loan commitment is made)

Amount of Loan $____________ Loan No. ________

The __(Health Professions or Nursing)__ Student Loan(s) which you have received, together with an ANNUAL PERCENTAGE RATE of 3% on the unpaid balance, is repayable in accordance with a repayment schedule approved by the school and the Secretary of Health, Education, and Welfare, and agreed to by you, the Maker, at the time you cease to pursue an eligible course of study at the school. The FINANCE CHARGE begins to accrue at the termination of the grace or other deferment period.

The AMOUNT FINANCED (or the total of all loans due) is repayable in accordance with the provisions of the promissory note and the repayment schedule to be attached thereto, and this is subject to provisions relating to DELINQUENCY and DEFAULT CHARGES specified in the promissory note.

The Maker may, at his option, and without penalty, prepay all or any part of the principal plus the accrued interest at any time.

____________________ ____________________________
Date Signature—Lender

The Maker acknowledges receipt of an exact copy of this statement.

____________________ ____________________________
Date Signature—Maker

____
Address

Appendix 4

Sample Truth in Lending Form

(to be executed at the time a repayment schedule is signed)

The ___(Health Professions or Nursing)___ Student Loan(s) which you have received, together with an ANNUAL PERCENTAGE RATE of 3% on the unpaid balance, is repayable in accordance with this repayment schedule. The FINANCE CHARGE begins to accrue ___(Month) (Day) (Year)___.

The AMOUNT FINANCED $_____ (less any amounts repaid, or canceled in accordance with the provisions of the promissory note) together with $_____ FINANCE CHARGE (the total amount of interest to be paid during the repayment period), is to be canceled or repaid in ___(number of)___ payments of $_____ (except as otherwise indicated in the repayment schedule) for a total of payments of $_____. The due date of payments shall be: ___(Month) (Day) (Year)___ and the same date each ___(year, six months, quarter, month)___ thereafter.

The AMOUNT FINANCED (or the total of all loans due) is repayable in accordance with this repayment schedule, and this is subject to provisions relating to DELINQUENCY and DEFAULT CHARGES specified in the promissory note(s). (Specify where applicable.)

The Maker may, at his option, and without penalty, prepay all or any part of the principal plus the accrued interest at any time.

____
Date

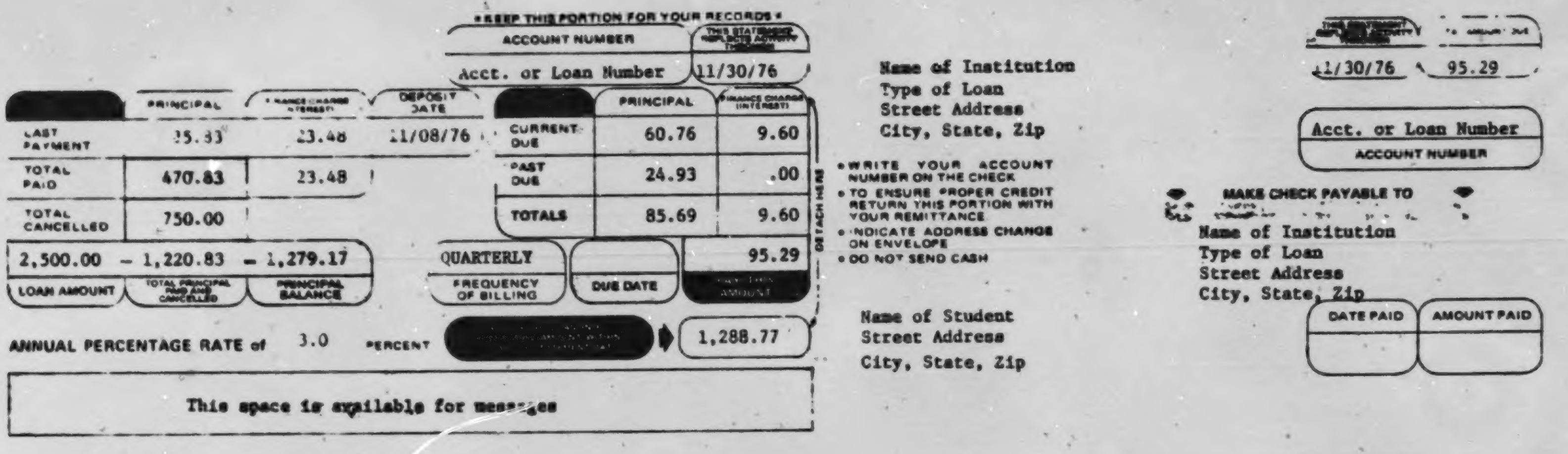
____
Signature—Lender

The Maker acknowledges receipt of an exact copy of this statement.

____
Date

____
Signature—Maker

____
Address



* KEEP THIS PORTION FOR YOUR RECORDS *

ACCOUNT NUMBER	THIS STATEMENT REFLECTS ACTIVITY THROUGH
Acct. or Loan Number	11/30/76

	PRINCIPAL	FINANCE CHARGE (INTEREST)	DEPOSIT DATE
LAST PAYMENT	35.33	23.48	11/08/76
TOTAL PAID	470.83	23.48	
TOTAL CANCELLED	750.00		

LOAN AMOUNT	TOTAL PRINCIPAL PAID AND CANCELLED	PRINCIPAL BALANCE
2,500.00	– 1,220.83	– 1,279.17

	PRINCIPAL	FINANCE CHARGE (INTEREST)
CURRENT DUE	60.76	9.60
PAST DUE	24.93	.00
TOTALS	85.69	9.60

FREQUENCY OF BILLING	DUE DATE	PAY THIS AMOUNT
QUARTERLY		95.29

ANNUAL PERCENTAGE RATE of 3.0 PERCENT

1,288.77

This space is available for messages

DETACH HERE

Name of Institution
Type of Loan
Street Address
City, State, Zip

- WRITE YOUR ACCOUNT NUMBER ON THE CHECK
- TO ENSURE PROPER CREDIT RETURN THIS PORTION WITH YOUR REMITTANCE
- INDICATE ADDRESS CHANGE ON ENVELOPE
- DO NOT SEND CASH

Name of Student
Street Address
City, State, Zip

THIS STATEMENT REFLECTS ACTIVITY THROUGH	[illegible]
11/30/76	95.29

Acct. or Loan Number
ACCOUNT NUMBER

MAKE CHECK PAYABLE TO

Name of Institution
Type of Loan
Street Address
City, State, Zip

DATE PAID	AMOUNT PAID

Appendix 6

Samples of Messages Which Might be Used on the Statement Form

(These mesages can take the place of the written letter and should get progressively stronger with each statement.)

GRACE PERIOD EXPIRATION

"Your grace period will expire on MM/DD/YY and your first payment will be due MM/DD/YY. Please do not contact us until you receive your first bill."

ADVANCE NOTICE

"Prompt repayment of this bill will enable other qualified students to pursue their education. Thank you."

FIRST PAST DUE

"Did you forget? This bill is now past due. Please take care of this matter today!"

60 DAYS PAST DUE

"Your Student Loan is a serious obligation which you seem to be ignoring. If you have any questions, please contact us. Otherwise, remit payment!"

90 DAYS PAST DUE

"Previous requests have been made for payment on your seriously delinquent account. If payment is not received, your account may be referred for collection."

Appendix 7

Sample Letter to be Used at 120 Days

Dear :

The Health Professions Loan allows an institution to refer accounts to a collection agency if they become 120 days or more past due. Failure to do so could result in the termination of the program at that institution for failure to use "due diligence."

We show that $______ is past due without any positive action on your part to repay. Therefore, it is with regret that I must consider your account for such action.

If payment is not received, or if arrangements have not been made with us within fifteen days from the date of this letter, your account will be referred for collection. This could result in the total unpaid balance being due immediately. A self-addressed envelope has been provided for your use in sending your check. Please make your check payable to .

Sincerely,

Appendix 8

DEPARTMENT OF HEALTH EDUCATION AND WELFARE
PUBLIC HEALTH SERVICE
HEALTH RESOURCES ADMINISTRATION
BUREAU OF HEALTH RESOURCES DEVELOPMENT

9000 ROCKVILLE PIKE
BETHESDA, MD. 20014

REQUEST FOR ASSURANCE
HEALTH PROFESSIONS STUDENT LOAN PROGRAM

APPLICABLE ONLY TO THE CANCELLATION OF HEALTH PROFESSIONS STUDENT LOANS MADE PRIOR TO NOVEMBER 18, 1971

NAME OF BORROWER (Last, First, Middle)	STATE HEALTH AUTHORITY (Name)
ADDRESS (Street, City, State and Zip Code)	ADDRESS (Street, City, State and Zip Code)

INSTRUCTIONS

BORROWER Complete Part I. Retain last copy and submit others to the appropriate State Health Authority.

STATE HEALTH AUTHORITY Complete Part II. Retain last copy and return others to the Borrower.

BORROWER Retain the original copy throughout the term of practice in the designated Shortage Area. Attach the extra copy to the first application for postponement of installment to be filed after beginning practice.

PART - I *(To be completed by the Borrower)*

NOTE This Request for Assurance should not be filed more than six months before the day a Borrower plans to begin practice in the shortage area.

Should the Borrower decide for any reason not to begin practice in the designated shortage area, he should notify the State Health Authority of his decision as soon as possible.

I plan to undertake the practice of ☐ MEDICINE ☐ OSTEOPATHY ☐ DENTISTRY ☐ OPTOMETRY

on or about ________ (Month) ______ (Day), 19 ______ (Year), in ______________________ (Name of Designated Shortage Area), ______________ (State).

and hereby request assurance that my practice within this area for twelve continuous months will entitle me to apply for partial cancellation of my Health Professions Student Loan.

______________________ (Date) ______________________ (Signature of Borrower)

PART - II *(To be completed by the State Health Authority)*

ASSURANCE BY THE STATE HEALTH AUTHORITY

The area indicated by the borrower in Part I has been determined to be a shortage area as defined by the Regulations of the Public Health Service. The Borrower's practice therein will help to meet the shortage of and need for professional health services. The Borrower is assured the shortage area designated above for the period beginning ______ (Month) ______ (Day) ______ (Year)

and ending ________ (Month) ______ (Day) 19 ______ (Year)

______________________ (Date) ______________________ (Name of State Health Authority)

HRA-36 7 (Formerly NIH-1614-7
3-74

FORM APPROVED
O M B NO. 68-R0847

Appendix 9

U.S. DEPARTMENT OF
HEALTH, EDUCATION, AND WELFARE
PUBLIC HEALTH SERVICE
HEALTH RESOURCES ADMINISTRATION
BUREAU OF HEALTH RESOURCES DEVELOPMENT
9000 ROCKVILLE PIKE
BETHESDA, MARYLAND 20014

HEALTH PROFESSIONS STUDENT LOAN PROGRAM NOTICE OF PRACTICE IN SHORTAGE AREA

APPLICABLE ONLY TO THE CANCELLATION OF HEALTH PROFESSIONS STUDENT LOANS MADE PRIOR TO NOVEMBER 18, 1971

INSTRUCTIONS

Give information requested, sign, date, and distribute as follows:

Submit original to State Health Authority, submit one copy to Public Health Service and retain one copy. Initially, this notification must reach the State Health Authority before the expiration date of your assurance and annually thereafter, at the beginning of each year of practice not later than two weeks from your anniversary date of beginning practice in the designated shortage area.

NAME OF BORROWER *(Last, First, Middle)*	ADDRESS *(Street, City, State, Zip Code)*
BORROWER'S TELEPHONE NO.	NAME OF LENDING SCHOOL: YEAR DEGREE AWARDED:

I began the practice of ☐ MEDICINE, ☐ OSTEOPATHY, ☐ DENTISTRY, ☐ OPTOMETRY

on ______________ *(Month)* ______________ *(Day)*, 19______ *(Year)*,

in ______________ *(Designated Shortage Area)*, ______________ *(State)*.

This is my ☐ FIRST ☐ SECOND ☐ THIRD ☐ FOURTH ☐ FIFTH ☐ SIXTH ☐ SEVENTH

year of practice in this particular shortage area.

SIGNATURE OF BORROWER	DATE

REMARKS

HRA-36-8 (FORMERLY NIH-1614-8)
3-74

Form Approved
Budget Bureau No. 68-R847

Appendix 10

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
PUBLIC HEALTH SERVICE
HEALTH RESOURCES ADMINISTRATION
BUREAU OF HEALTH MANPOWER
9000 ROCKVILLE PIKE
BETHESDA, MD. 20014

REQUEST FOR PARTIAL CANCELLATION OF LOAN
HEALTH PROFESSIONS STUDENT LOAN PROGRAM

APPLICABLE ONLY TO THE CANCELLATION OF HEALTH PROFESSIONS STUDENT LOANS MADE PRIOR TO NOVEMBER 18, 1971

NAME OF BORROWER *(Last, First, Middle)*	NAME OF INSTITUTIONAL REPRESENTATIVE
ADDRESS *(Street, City, State, and Zip Code)*	NAME AND COMPLETE ADDRESS OF LENDING INSTITUTION

INSTRUCTIONS

PART I *To be completed by the Borrower after 12 continuous months of practice. Remove and retain the last copy (designated BORROWER'S COPY) and submit remainder of set to the State Health Authority. At the same time if you plan to continue your practice in the shortage area, submit Notice of Practice form HRA 36-8 for the following year (per instructions).*

PART II *To be completed by the State Health Authority. Remove and retain the last copy, designated STATE HEALTH AUTHORITY'S COPY, and submit remainder of set to the Institutional Representative named above.*

PART III *To be completed by the Institutional Representative. Retain the Original, return the COURTESY COPY to the Borrower and submit the PUBLIC HEALTH SERVICE COPY to the Health Professions Student Loan program.*

PART I – BORROWER'S APPLICATION *(Type or print plainly)*

I hereby apply for a partial cancellation of my Health Professions Student Loan. I request cancellation of the appropriate amount of principal and interest thereon, in accordance with the Public Health Service Act, as amended.

I began the practice of ☐ MEDICINE ☐ OSTEOPATHY ☐ DENTISTRY ☐ OPTOMETRY

on ______ *(Month)* ______ *(Day)*, 19 ______ *(Year)* in ____________ *(Designated Shortage Area)* ____________ *(State)*, and

completed my ☐ FIRST ☐ SECOND ☐ THIRD ☐ FOURTH ☐ FIFTH ☐ SIXTH ☐ SEVENTH

twelve month period of continuous practice therein on ____________ *(Month)* ______ *(Day)* 19 ______ *(Year)*.

____________ *(Date)* ____________ *(Signature of Borrower)*

PART II – CERTIFICATION BY STATE HEALTH AUTHORITY

I hereby certify that the above named Borrower has met the eligibility requirements for cancellation of ☐ 10% ☐ 15% of his loan in accordance with the Act and Regulations.

____________ *(Date)* ____________ *(Signature and Title – State Health Authority)*

PART III – PARTIAL LOAN CANCELLATION

Cancellation of a portion of the above named Borrower's loan account has been made in the amount of

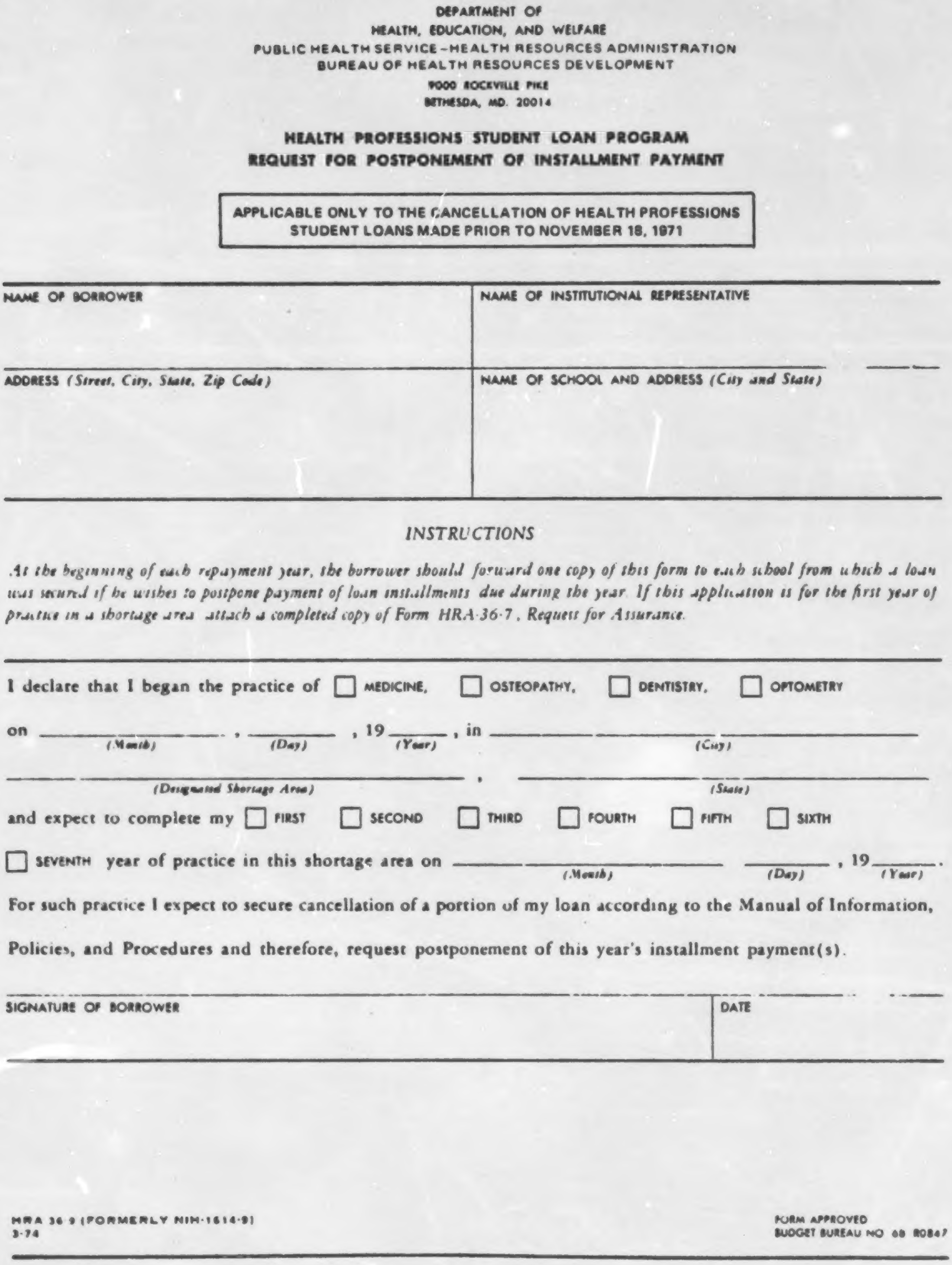
$ ____________ *(Principal)* and $ ____________ *(Interest)*, in accordance with the Act and Regulations.

____________ *(Date)* ____________ *(Signature and Title – Institutional Representative)*

HRA 36-10 REV. 11-75

FORM APPROVED
O.M.B. NO. 68-R0847

Appendix 11



DEPARTMENT OF
HEALTH, EDUCATION, AND WELFARE
PUBLIC HEALTH SERVICE–HEALTH RESOURCES ADMINISTRATION
BUREAU OF HEALTH RESOURCES DEVELOPMENT
9000 ROCKVILLE PIKE
BETHESDA, MD. 20014

HEALTH PROFESSIONS STUDENT LOAN PROGRAM
REQUEST FOR POSTPONEMENT OF INSTALLMENT PAYMENT

APPLICABLE ONLY TO THE CANCELLATION OF HEALTH PROFESSIONS STUDENT LOANS MADE PRIOR TO NOVEMBER 18, 1971

NAME OF BORROWER	NAME OF INSTITUTIONAL REPRESENTATIVE
ADDRESS *(Street, City, State, Zip Code)*	NAME OF SCHOOL AND ADDRESS *(City and State)*

INSTRUCTIONS

At the beginning of each repayment year, the borrower should forward one copy of this form to each school from which a loan was secured if he wishes to postpone payment of loan installments due during the year. If this application is for the first year of practice in a shortage area attach a completed copy of Form HRA-36-7, Request for Assurance.

I declare that I began the practice of ☐ MEDICINE, ☐ OSTEOPATHY, ☐ DENTISTRY, ☐ OPTOMETRY

on ____________ *(Month)*, ________ *(Day)*, 19____ *(Year)*, in ____________________ *(City)*

____________________ *(Designated Shortage Area)*, ____________________ *(State)*

and expect to complete my ☐ FIRST ☐ SECOND ☐ THIRD ☐ FOURTH ☐ FIFTH ☐ SIXTH

☐ SEVENTH year of practice in this shortage area on ____________ *(Month)* ________ *(Day)*, 19____ *(Year)*.

For such practice I expect to secure cancellation of a portion of my loan according to the Manual of Information, Policies, and Procedures and therefore, request postponement of this year's installment payment(s).

SIGNATURE OF BORROWER	DATE

HRA 36-9 (FORMERLY NIH-1614-9)
3-74

FORM APPROVED
BUDGET BUREAU NO 68 R0847

Appendix 12

CERTIFICATION OF DEFERMENT STATUS **HEALTH PROFESSIONS AND NURSING STUDENT LOAN PROGRAMS**	U.S. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE PUBLIC HEALTH SERVICE HEALTH RESOURCES ADMINISTRATION BUREAU OF HEALTH RESOURCES DEVELOPMENT 9000 Rockville Pike Bethesda, Maryland 20014

INSTRUCTIONS

To request deferment of repayment on your Health Professions or Nursing Student Loan, two (2) copies of a Certification of Deferment Status form (HRA-36-5) must be filed with the school which made the loan at each of the following times: (1) when your first repayment installment is due, (2) annually thereafter as long as you are eligible for such deferment, and (3) when you cease to be in eligible deferment status. A copy of the form, properly executed, as submitted to the school, should be retained for your own records.

NOTE: Provisions governing deferment of Health Professions and Nursing Student Loans vary according to the date such loans were made; therefore, you should read the *Guide for repayment, deferment, and cancellation of Health Professions or Nursing Student Loans* for the specific provisions applicable to your loans before completing this form. The Guides are available from the school which made the loan.

NAME AND ADDRESS OF SCHOOL FROM WHICH LOAN WAS MADE	NAME AND ADDRESS OF BORROWER

PART I REQUEST FOR DEFERMENT OF REPAYMENT – *To be completed by borrower if he:*

A. Ceases to pursue the course of study at

1. A school of medicine, osteopathy, dentistry, pharmacy, podiatry, optometry, or veterinary medicine, but re-enters the same or another such school within the applicable grace period;
2. A school of nursing leading to a diploma or associate degree in nursing, a baccalaureate degree in nursing or an equivalent degree, or to a graduate degree in nursing, but re-enters the same or another such school within the applicable grace period.

This is to certify that I was a full-time health professions or nursing student (or at least half-time nursing student for borrowers who received

nursing student loans after November 17, 1971) at ______________________________

______________________ from ______________________ to ______________________.

pursuing a course of study leading to a ______________________________.
(Degree)

B Performs active duty as a member of a uniformed service or as a volunteer under the Peace Corps Act.

This is to certify that I was in the ______________________________
(Enter name of Service or Peace Corps)

from ______________________ to ______________________.

C 1 Pursues advanced professional training, including internships and residencies; or
2 Pursues a full-time course of study at a collegiate school of nursing leading to a baccalaureate degree in nursing or an equivalent degree, or to a graduate degree in nursing, or is otherwise pursuing advanced professional training in nursing.

This is to certify that I was pursuing advanced professional training at ______________________________

______________________ from ______________________ to ______________________.

I claim deferment of repayment of principal and interest on my *(Check appropriate box)*

Health Professions Student Loan ☐ (or) Nursing Student Loan ☐
for the period indicated under A.1. ☐, A.2. ☐, B. ☐, C.1. ☐, (or) C.2. ☐, above.

I further agree to notify the school from which I received assistance immediately upon termination of my status as indicated above.

DATE	SIGNATURE OF BORROWER

HRA 36-5 (FORMERLY NIH-1614-5)
5-74

(Over)

FORM APPROVED
O.M.B. No. 68-R0847

PART II · CERTIFICATION OF DEFERMENT STATUS

A. To be completed by official of institution where borrower is enrolled or is pursuing advanced professional training and mailed to the school from which the loan was made.

I certify that the information stated in Part I - A.1. ☐, A.2. ☐, C.1. ☐, (or) C.2. ☐, above, is true and correct

(Check appropriate box)

NAME AND ADDRESS OF SCHOOL	SIGNATURE OF AUTHORIZED OFFICIAL
	TITLE
	DATE

B. To be completed by the Commanding Officer, or Peace Corps Official, and mailed to the school from which the loan was made.

I certify that the information stated in Part I - B. above is true and correct.

Borrower's Uniformed Service* Serial Number ______________________.

NAME AND ADDRESS OF UNIFORMED SERVICE OR PEACE CORPS HEADQUARTERS	SIGNATURE OF COMMANDING OFFICER OR PEACE CORPS OFFICIAL
	DATE
INSTITUTIONAL ACTION - *School from which loan was made* APPROVED ☐ DISAPPROVED ☐ ☐ REASONS FOR DISAPPROVAL ______________________	SIGNATURE
	DATE

---

*The uniformed services of the United States are the Army, Navy, Marine Corps, Air Force, Coast Guard, National Ocean Survey, and the U.S. Public Health Service.

5

Nursing Student Loans

Introduction

Authority

The Nursing Student Loan Programs are administered by the Department of Health, Education, and Welfare, Public Health Service, Health Resources Administration, Bureau of Health Manpower, Hyattsville, Maryland 20782. The authority of the Secretary of HEW to enter into agreements for the establishment and operation of Nursing Student Loan funds derives from Title VIII, Part B, of the Public Health Service Act, as amended, and as implemented by the regulations 42 C.F.R., Part 57, Subpart D.

Purpose

These loans are to assist students who need financial assistance to pursue a course of study leading to a diploma in nursing, associate degree in nursing, baccalaureate degree or equivalent degree in nursing, or a graduate degree in nursing.

The goal is to increase the health manpower resources of the nation by providing financial assistance in the form of long-term, low-interest (3 percent) loans to students in need who have been accepted for enrollment, or are already enrolled, in specified programs of nursing education to enable them to pursue their courses of study.

Loan Maximums

The maximum Nursing Student Loan available to an individual borrower in an academic year or its equivalent may not exceed $2,500, or the amount of the student's financial need, whichever is less. The aggregate of the loans for all years may not exceed $10,000 for any student.

For students enrolled in institutions that have a required course of study longer than the traditional nine-month September-to-June academic year, the maximum amount of the loan may be proportionately increased. For example, if a student is required to pursue a course of study for a full twelve months, he or she may borrow on a maximum of 12/9 of $2,500, or $3,333 for the period.

A student who applies for a loan after the first quarter, semester, or term is not prohibited from receiving up to the maximum loan, provided the amount of the loan does not exceed the amount he or she needs to be able to pursue the course of study for the remainder of the academic year.

Eligibility

So long as the agreement between the institution and the Secretary of HEW to operate a Nursing Student Loan fund remains in effect, no student eligible to receive a nursing loan from the institution may receive a loan from a loan fund established under Section 463 of Title IV of the Higher Education Act of 1965, as amended (National Defense/Direct Student Loan).

Students are eligible for Nursing Loans if they meet the following requirements:

1. A student applicant must be a citizen or other national of the United States, a permanent resident of the Trust Territory of the Pacific Islands, or one who intends to become a permanent resident of the United States, Puerto Rico, the Virgin Islands, or Guam. A student who is in this country on a visitor's visa is not eligible.
2. An applicant must be (A) enrolled, or accepted for enrollment, as a full-time or at least half-time student in a school participating in

the Nursing Student Loan Program; and (B) capable, in the opinion of the school, of maintaining good standing in the course of study.

Eligibility for Nursing Student Loans was extended to half-time students on November 18, 1971 with the enactment of the Nurse Training Act of 1971.

A student is in "good standing" when he or she is eligible to continue in attendance at the institution where he or she is enrolled, in accordance with the school's standards and practices. A student on academic probation who is permitted to continue in attendance at the school is not necessarily to be considered as having failed to maintain "good standing" as required by the program.

3. To receive a loan, a student must be in need of the requested assistance in order to pursue the full-time or half-time course of study in which he or she is enrolled, or is accepted for enrollment.

The Making of a Loan

Procedure

Each institution should use a system that best fits its particular philosophy and budget. Many nursing schools have their own Financial Aid Office and do their own collection work at repayment time. Others use the central Financial Aid Office and have a separate office (usually the Business Office) do collection work. Some use a central Financial Aid Office whose responsibility it is to both grant and collect the loan. The preferable method, from a sound business and audit standpoint, is to use one office to determine need and grant the loan and another office to perform collection work.

Using this method of operation, the following would be a typical system for the granting of a loan:

1. The student completes an application and returns it to the Financial Aid Office;
2. The Financial Aid Office determines the student's need and prepares the loan note;
3. The loan note is mailed to a student for signature of acceptance of the loan terms;
4. The student returns the signed note to the Financial Aid Office;
5. The Financial Aid Officer signs the note as authority for the Business Office to disburse funds;
6. The Business Office prepares a check for the amount of disbursement. Although not required by law, there is a definite advantage

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when it comes to collection if the student has actually received a check (loan), rather than having the money credited (grant or scholarship) to his or her account. It is also advantageous to make the check payable to the student and the school in order to assure that the student is enrolled for sufficient credits to qualify for the loan. If the student fails to qualify, the school may refuse to cash the check and the loan may be voided.

Pre-Loan Counseling

Sound collection procedures presuppose reasonable discretion in lending. Each institution must be certain that the student understands that he or she is receiving a loan which must be repaid sometime in the future. No loan should be granted until the student fully understands the agreed-upon terms of the loan and the responsibility to meet those terms.

It is recommended to have each borrower complete an information sheet during the pre-loan counseling that provides sufficient information to locate borrowers if they become "skips." The following information from each borrower would enable a school to locate most "lost" accounts:

1. Borrower's name;
2. Borrower's local address;
3. Borrower's home address;
4. Borrower's home telephone number;
5. Borrower's birth date;
6. College and major;
7. Expected graduation date;
8. Social Security number;
9. Spouse's name;
10. Spouse's employment;
11. Borrower's driver's license number and state;
12. Borrower's part-time employer;
13. Class (Fresh., Soph., Jr., Sr., Grad.);
14. Parents' name;
15. Parents' address and telephone number;
16. Parents' employer's name;
17. Parents' employer's address;
18. Brothers and sisters over the age of 18 and addresses of such; and
19. Borrower's insurance companies and addresses.

(See Appendix 1, page 173).

The Promissory Note

Each loan to a student must be evidenced by a note which sets forth the legal conditions under which the loan is made. The note is the legal document which binds the student to the repayment obligation, the terms of the act, and the federal regulations and policies which govern the loan program. Therefore, the note must be properly completed and adequately safeguarded. The particular method of insuring such protection is the school's responsibility, but the notes should be maintained in locked, fire-proof or fire resistant storage.

The student promissory note form must contain all the pertinent requirements set forth in the governing regulations. A common form which may be used is shown in Appendix 2 (page 174) and such forms may be obtained from HEW. If the institution uses its own note forms, it should consider the following additions or changes:

1. Replacing the HEW name and address at the top of the note with the name and address of the school;
2. Providing a place for the borrower to enter his or her permanent home address. Some means of identification is needed when there are two students with the same name; and
3. Providing a place for the Financial Aid Officer to sign as approval. This eliminates questions by auditors as to whether the loan had been approved through proper channels.

The type of note shown in Appendix 2 is called an "open-ended" note because it is open to any amount of money that advances might total. Rather than preparing a new note each year, new advances may be added to the open-ended note. This type of note is very practical for offices which approve and disburse the money as part of the same operation.

If two separate offices are used, a "closed-end" note is more practical. This type of note is for a fixed amount even though advances may be given several times during the year. (For example, if the Financial Aid Office awards a borrower $300.00 for the academic year, and the school is on a term basis, the note would be good only for $300.00 with advances of $100.00 per term.) The "promise to pay" paragraph is worded differently on the closed-end note, as follows: ". . . the sum of

$____ (or so much thereof as may from time to time be advanced to me and endorsed below) with interest at the. . . ."

Truth in Lending

The Truth in Lending provisions of the Consumer Credit Protection Act require a school to make specific statements of disclosure regarding finance charges on Nursing Student Loans. Effective July 1, 1969, such disclosure must be made (and signed by the borrower) each time a loan commitment is made and at the time a repayment schedule is executed. A copy of the disclosure must be provided to the borrower each time (see Appendices 3 and 4, pages 176 and 177).

In-School Servicing of the Accounts

Records Check

Once the borrower has obtained the loan, a check should be made of the enrollment records on at least a semi-annual basis. If it is found that the borrower is no longer enrolled, the date of separation must be determined and the account must be placed in a repayment status.

Information Update

Many borrowers continue to receive loans as long as they remain in school. Each time they apply for a new loan, new or updated information should be obtained by having the borrower complete a new information sheet (see Appendix 1).

The Exit Interview

Purpose

Sometime prior to the borrower leaving school an exit interview should be held to make certain that the borrower is aware of his or her obligation, as well as the benefits which are available under the program. All questions which the borrower might have should be answered and a thorough understanding must be reached regarding the borrower's responsibilities during the repayment period.

Responsibility

The exit interview should be conducted by the person at the institution who will have the responsibility for collection. This person must have full knowledge of the program requirements and benefits to assure that the borrower does not leave school with any doubt about what is expected.

Subject Matter to Cover

The following should be covered in the exit interview:

1. Make certain that the borrower fully understands the terms and conditions of the loan. A copy of the *Guide For Repayment, Deferment, and Cancellation of Nursing Student Loans* should be provided. This pamphlet (DHEW Publication No. NIH 73–430) is designed to provide the borrower with a convenient reference on the rights and obligations and other essential information needed for the orderly retirement of the loan;
2. Arrange a repayment schedule and agree upon the date of the first payment. The borrower must be given the option to choose between at least one equal and one graduated periodic plan unless the institution has included the minimum repayment option and the loan would fall into that category. The school also has the option of choosing the frequency of each payment (monthly, bi-monthly, quarterly, semi-annually, annually), but it cannot be less frequent than annual and shall commence not later than the end of the first year of the repayment period;
3. Obtain clear agreement on the amount borrowed and the amount due for each installment. The notes should be available for inspection by the borrower in order to eliminate any questions. If the institution so chooses, the *minimum payment* will be $15.00 per month ($180.00 per year), but if this will impose a hardship on the borrower the payments may be less with the mutual consent of the school and the borrower. *The maximum length of repayment is ten years,* and minimum payments cannot extend the repayment beyond the maximum period;
4. Have the borrower sign the repayment agreement and the Truth in Lending form and give the borrower a copy of each (see Appendix 4);
5. Review skip-tracing information, or at least make sure that someone other than the borrower is listed with an address and telephone number;
6. Direct the borrower's attention to the advantages of prepayments during the grace

period. (These are not, and may not, be required);

7. Inform the borrower of the importance of paying promptly or contacting the school prior to the due date if payment cannot be made for any reason;

8. Make the borrower aware of the need for the collection staff to be informed of any change in name or address;

9. Cover the deferment and cancellation provisions and acquaint the borrower with the required forms; and

10. Inform borrowers of the billing system to be used to assure them that statements will be sent or that coupon books will be provided.

Every effort should be taken to provide an "in person" exit interview. This should include "drop-outs" as well as graduates. If the interview cannot be conducted in person, it must be completed by mail. In either case, a signed repayment agreement should, if at all possible, be obtained and attached to, and become a part of, the note.

The Billing Process

Due Diligence

Reasonable care and diligence must be exercised in the collection of Nursing Loans, not only with regard to borrowers, but with regard to endorsers whose signatures were obtained as security. This means that the institution must utilize collection practices no less extensive and forceful than those used on other loans of comparable size at the institution. Statements must be sent on a timely basis and the use of collection agencies and litigation will be deemed necessary if the borrower fails to respond to requests for payment.

Response to written inquiries and other communications from the borrower and any proper endorser must be made on a timely basis. The lack of a timely response will give an indication to a borrower of a poorly run program and will foster delinquencies.

Grace Period Notice

Repayment of principal is not required and interest does not accrue during the grace period, which runs for nine months on loans made after June 30 1969 and one year on loans made prior to July 1, 1969. The grace period always begins on the first day of the month nearest to the date the student ceases to be a full-time student (or at least a half-time student for those who received loans after November 17, 1971) pursuing an eligible course of study at a school of nursing.

The grace period must consist of nine *consecutive* months (for loans made before July 1, 1969) from the time that a student borrower ceases to pursue an eligible course of study at a *school of nursing*. The grace period expires when the borrower has been away from eligible student status at the lending school or another school of nursing for a continuous nine- or twelve-month period, respectively, regardless of whether he or she is in eligible deferment status or registered nurse employment eligible for repayment or cancellation of Nursing Student Loans.

As a courtesy to the borrower, and as an aid in preparing for the billing process, a grace period notice should be sent to the borrower at least 30 days prior to the date on which the grace period ends. This provides a good opportunity to again remind borrowers of their rights and obligations. The grace period notice should also remind the borrower that the opportunity to make interest-free payments is about to end, when the first payment will be required, and how much each payment will be. If the notice is returned by mail, there will still be an opportunity to locate a correct address before payments begin.

First Statement

Prompt billing, in a consistent manner and on a statement form which provides sufficient information for the borrower to fully understand the status of his or her account, is probably the single most important factor in keeping accounts current. Therefore, an advance notice should be mailed to the borrower approximately 15 to 30 days prior to each payment coming due. The statement should show the following information and be the type that would allow the borrower to keep the information portion and return a stub showing his or her name and account number:

1. Name and address;
2. Account number;
3. Total amount borrowed;
4. Total principal paid;
5. Total interest paid;
6. Total principal cancelled;

7. Total interest cancelled;
8. Outstanding balance;
9. Current principal due;
10. Current interest due;
11. Past due principal (if any);
12. Past due interest (if any);
13. Total amount due for the month;
14. Total amount due if payment in full;
15. Finance charge stated in percentage amount;
16. Date payment due;
17. Date of last activity;
18. To whom checks should be made payable; and
19. Address where the payment should be sent.

If a window return envelope is used, a borrower is almost forced to return the school's portion of the statement. This is important as a means of making sure the payment is credited to the right account (see Appendices 5 and 6, pages 178 and 179).

Follow-Up

When a borrower becomes delinquent in making a payment, the institution must follow-up on the account within 15 days of the due date through the use of letters, statements, telephone calls, or personal contacts. Each contact should become progressively more firm in tone. If such efforts are unsuccessful, they must be repeated with respect to any proper endorser on the loan.

The continued mailing of a series of statements or letters to the same address when it is clear that the borrower (or endorser) no longer resides there is not due diligence. An institution must attempt to find a correct address through the use of information obtained from the borrower or through such offices as the Registrar's Office or the Alumni Office. If a borrower cannot be located from information available at the school, a commercial skip-tracing firm should be employed.

Once an account becomes delinquent, the institution may wish to withhold all further services (transcripts, letters of recommendation, alumni materials, publications, placement information, etc.) until the account has been brought current or until satisfactory arrangements have been agreed upon. However, serious consideration should be given to releasing transcripts directly to a prospective employer, since a borrower may be hard-pressed to bring the account current without a job. It is recommended that legal counsel be consulted before such actions are taken.

60 Days Delinquent

If the loan becomes 60 days delinquent, the institution must again contact the borrower. This contact may be in the form of a statement containing a message about the seriousness of the account or it may be in the form of a letter. In either case, the borrower must be made aware that the school plans to pursue collection through all available sources.

90 Days Delinquent

If the loan becomes 90 days delinquent, the final notice should be sent to the borrower and the endorser. This final statement or letter must be stronger than the previous notices and may indicate to the borrower the action that will be taken if he or she fails to respond.

It is permissable to use this letter as the last contact by the institution. If this is the case, then the school *must* inform the borrower that the account will be referred to a collection agency or to legal counsel, whichever is appropriate for the school, if the account has not been paid or otherwise adjusted by a date determined by the institution (normally 15 days).

120 Days Delinquent

If the school does not use the 90-day notice as the final demand, and if the borrower has not responded by the 120 days, the institution may make one last attempt for settlement before placing the account with a collection agency or an attorney. This letter should be registered with a return receipt requested, and should contain sufficient information to inform the borrower of the consequences of not responding. The fact that the loan will be referred to a collection agency or to an attorney will, in many cases, prompt the borrower to respond. The borrower must be given sufficient time to respond to this final demand. However, once the borrower has been informed of the action that will be taken, there should be no hesitation to take the necessary steps. Failure to act on demands will help neither the borrower, the school, nor the Nursing Program (see Appendix 7, page 180).

Interruption of the Billing Process

Causes

There are several reasons why a normal billing process may be interrupted. When this happens, certain steps need to be taken to document the fact that the borrower's account is not delinquent even though payments have stopped. For Nursing Loans, these fall into three categories: cancellation, postponement, and deferment.

Cancellation

There are four reasons for granting cancellation: death, disability, bankruptcy, and full-time service as a registered nurse.

1. *Death*——Upon the death of a borrower, the unpaid balance of his or her loan and accrued interest thereon shall be cancelled. The institution may not attempt to collect on the loan from an endorser or the borrower's estate.

To claim cancellation, the executor of the borrower's estate must submit to the school a death certificate or such other official proof as is conclusive under state law. The institution retains such proof for audit purposes and is reimbursed, as appropriate, by the Bureau of Health Manpower for its portion of the loan which is cancelled.

2. *Disability*——A borrower is entitled to cancellation of his or her indebtedness in the event of permanent and total disability. "Permanent and total disability" is defined as being unable to engage in any substantial gainful activity because of medically determinable impairment, which impairment is expected to continue for a long and indefinite period of time or to result in death. Such determination shall be made by the Secretary of HEW on the recommendation of the school, supported by such medical certification relating to the borrower's disability as may be required. The institution should not attempt to collect on the loan from the borrower or endorser once there is reason to believe that a borrower has become totally and permanently disabled.

To claim cancellation for disability, a borrower should submit a formal request to the school from which he or she received the loan, indicating: (A) date entered, date graduated, or date studies terminated; (B) total amount of loans obtained; (C) amount of unpaid balance; (D) nature, and date of onset, of the disability; (E) employment prior to disability; and (F) medical examination and/or treatment, and the names of doctors and/or hospitals.

The borrower is required to consent in writing for the release of pertinent information on the disability, from any physician, hospital, or institution having such medical records, to the school and to the Division of Nursing as may be needed to determine eligibility for the cancellation of the loan.

The institution should then forward to each physician a copy of the claimant's signed consent for release of information, requesting a medical report, and explaining the general provisions of the program pertaining to cancellation of a loan on the ground of the borrower's permanent and total disability. The report should be sufficiently detailed to provide for comprehensive review to determine the nature, duration, and extent of impairment.

The school should then forward its recommendation, accompanied by medical certification, to the Division of Nursing for review and final determination by the Secretary of HEW. The institution will be formally notified of the Secretary's decision. Such notification should be retained as a permanent record in the student's school file for audit and other review purposes.

3. *Bankruptcy*——When a borrower files for bankruptcy, further pursuit of collection is not permitted. However, the institution must file a claim with the bankruptcy court stating the amount of the outstanding debt, including interest. If the school has a legal basis for objecting to the discharge of the debt, a statement to that effect must also be filed with the court.

To claim cancellation for bankruptcy, the institution must have received notice to creditors and the discharge of bankruptcy from the bankruptcy court. This discharge usually can be obtained approximately six months after the first meeting of the creditors. The discharge verification must be kept by the school as official proof of the cancellation.

4. *Service as a registered nurse*——A borrower is entitled to have a portion of his or her Nursing Student Loan(s) cancelled for full-time employment as a registered nurse in accord with the provisions described below. (Alternatively, a borrower may enter an agreement with the Secretary of HEW to serve in a shortage area.) Eligible employment during the grace period entitles the borrower to cancella-

tion, but does not extend the length of the grace period.

To be eligible for cancellation of a portion of his or her Nursing Student Loans, a borrower must: (A) be licensed as a registered nurse by the state in which he or she is employed, or have completed steps necessary to such registration; (B) be employed full-time as a registered nurse in a public or nonprofit private agency, institution or organization (including neighborhood health centers); and (C) be in such employment for a complete year, which is generally defined as twelve consecutive months. For those persons holding teaching positions or other registered nurse positions within school systems, a complete year would be the complete academic year of the school in which he or she is employed. In no case, should a position requiring less than 30 hours of duty during a regular workweek be considered sufficient to qualify as "full-time."

The Nurse Training Act of 1971 revised the cancellation provisions for Nursing Student Loans made after November 17, 1971 by increasing both the yearly rate of cancellation and the maximum total amount of cancellation allowable for employment as a registered nurse.

The operation of provisions and administrative procedures for effecting cancellation are essentially the same for Nursing Student Loans made prior to *and* after November 18, 1971 for employment as a registered nurse in a public or other nonprofit agency, institution, or organization (including hospitals with a substantial shortage of such nurses). However, under provisions for cancellation of Nursing Student Loans made after November 17, 1971 cancellation is limited by the act to five years of eligible employment, as described below.

A. *Cancellation of Nursing Student Loans made after November 17, 1971*——A borrower who received Nursing Student Loans after November 17, 1971 is entitled to receive cancellation of up to 85 percent of any such loan when employed full-time as a registered nurse (including teaching in any of the fields of nurse training and service as an administrator, supervisor or consultant in any of the fields of nursing) in a public or nonprofit private agency, institution, or organization (including neighborhood health centers) at the rate of 15 percent of the amount of such loan, plus interest thereon, that was unpaid on the first day of such employment for each of the first, second, and third complete years of such employment and 20 percent of such unpaid amount, plus interest thereon, for each complete fourth and fifth year of such employment.

B. *Cancellation of Nursing Student Loans made prior to November 18, 1971*——Borrowers with Nursing Student Loans made prior to November 18, 1971 may receive or continue to receive cancellation of such loans in accordance with provisions in effect prior to that date, as outlined below:

i. 50 percent loan cancellation——A borrower employed full-time as a registered nurse (including teaching in any of the fields of nurse training and service as an administrator, supervisor, or consultant in any of the fields of nursing) in any public or nonprofit private institution or agency, is entitled to cancellation of *up to 50 percent of the total amount of the borrower's Nursing Student Loan(s),* plus interest thereon, at the rate of 10 percent of the total amount of such loan, plus interest thereon, that was unpaid on the first day of such employment for each complete year of eligible employment.

ii. 100 percent loan cancellation——A borrower employed full-time as a registered nurse in a public or other nonprofit hospital in any area determined by the Secretary of HEW to have a substantial shortage of such nurses at such hospitals is entitled to cancellation of up to 100 percent of the total amount of the borrower's Nursing Student Loan(s), plus interest thereon, at the rate of 15 percent of the total amount of such loan, plus interest thereon, that was unpaid on the first day of such employment for each complete year of such eligible employment.

In order to receive cancellation for service as a registered nurse the borrower must submit two copies of the *Request for Partial Cancellation of Loan* (Form NIH-1614-16) to the school which made the loan at the end of a complete year of eligible employment. The form includes a certification of employment by the employing agency which the borrower must obtain before forwarding the form to the lending school, where cancellation is effected at the appropriate rate. When the institution has entered the amount of principal and interest cancelled, a copy of the form is returned to the borrower for his or her records. When it has been established that a borrower is eligible for cancellation of his or her Nursing Student Loan(s) for full-time employment, the school will determine the amount to be cancelled by establishing the base amount of the loan and the interest which has accrued during the period of service for which cancellation benefits are to be provided. It is the base amount to which the annual rate of cancellation is applied.

The base amount of a loan is the amount of principal actually owed by the borrower on the first day of employment as a full-time registered nurse eligible for cancellation, or the amount he or she would owe at that time had all repayments due under the terms of the note been made, whichever is less. (For example, the total amount of a borrower's Nursing Student Loan is $1,000; the borrower repays $100 before beginning employment as a registered nurse for which the borrower would be entitled to claim cancellation at the rate of 15 percent per year for each of the first three complete years of such employment (for Nursing Student Loans made after November 17, 1971); the base amount of the loan is $900. Up to 85 percent of the total loan may be cancelled ($850) at the rate of 15 percent of the base amount for each complete year of employment ($135 per year). Had the borrower not repaid $100 before beginning employment, he or she would have had the advantage of cancellation on a base amount of $1,000, at an annual rate of $150 per year for the first three years of eligible employment, and 20 percent of the base amount ($180) per year for each of the fourth and fifth complete years of such employment.)

The base amount remains fixed for the duration of the repayment period, even if the borrower leaves nursing service and at some later date resumes employment as a professional nurse. The first day of employment is the first day of the first complete year of employment which qualifies for cancellation.

For loans made prior to November 18, 1971, the annual cancellation rate is 10 percent of the base amount for each year of eligible employment up to 50 percent of the total Nursing Student Loans or 15 percent of the base amount for each year of eligible employment at a public or other nonprofit hospital determined to have a substantial shortage of nurses at such hospital, up to 100 percent of the total amount of Nursing Student Loans. Under those provisions in effect for loans made prior to such a date, a borrower with a reduced base amount could receive cancellation up to the maximum allowable (but not 100 percent) by engaging in eligible employment for a longer period of time than would normally be required. (For example, cancelling up to 50 percent of a Nursing Student Loan at the rate of 10 percent per year with no reduced base amount would be accomplished within five years. With a reduced base amount, the borrower could continue in eligible employment for as long as necessary until up to 50 percent of the total original Nursing Student Loan had been cancelled.)

Under the provisions for cancelling up to 85 percent of loans made after November 17, 1971, if a borrower makes prepayments before beginning employment eligible for cancellation, resulting in a reduced base amount on which the annual rate of cancellation is based, he or she would not be able to take advantage of the 85 percent maximum allowable under the program. The statutory rates of 15 percent of the base amount for each of the first three years of employment and 20 percent of the base amount for each complete fourth and fifth year of such service do not provide for cancellation beyond the fifth year of employment.

A borrower who is entitled to cancellation of Nursing Student Loans is also entitled to cancellation of all interest which has accrued on the unpaid balance of the loan during the twelve months of employment as a registered nurse (see Appendix 8, page 181).

Postponement

A borrower working full-time as a registered nurse may defer payment of a loan installment which becomes due before being eligible for cancellation of the payment at the end of a complete year of employment. To request such postponement, the borrower must file a completed *Request for Postponement of Installment Payment* form (NIH-1614-17) with the lending institution in lieu of payment in accordance with the repayment schedule agreed upon between the borrower and the school. Receipt of the document need not be confirmed by the school unless the request is denied. The document authorizes the institution to postpone collection of the required installment until the end of the borrower's complete year of employment. If the borrower does not complete the full year of employment, the installment repayment is immediately due to the lending school and the borrower resumes his or her repayment schedule (see Appendix 9, page 182).

Deferment

After the repayment period begins, interest does not accrue on loans and repayment of principal is not required during periods when the borrower is again enrolled as at least a half-time student, is in the uniformed service or Peace Corps, or is pursuing advanced professional training in nursing. Each of these four are discussed below:

1. *Student Status*——When the borrower ceases to pursue an eligible course of study at a school of nursing leading to a diploma or associate degree in nursing, a baccalaureate degree in nursing or an equivalent degree, or a graduate degree in nursing, but re-enters the same or another such school within the nine-month grace period (for loans made after June 30, 1969), or the one-year grace period (for loans made prior to July 1, 1969), repayment of the loan may be deferred. An eligible course of study after November 17, 1971 is at least a half-time course of study in nursing. Prior to November 18, 1971, only a full-time course of study in nursing was an eligible course of study.

The borrower will remain eligible for his or her grace period beyond the time he or she again ceases to be at least a half-time student, since the borrower is entitled to nine consecutive months of grace.

Borrowers who re-enter the same or another nursing school after the grace period has expired must meet the scheduled repayments when due, unless they are qualified for deferment because they are pursuing advanced professional training.

A deferment form (provided by the institution) must be completed by the borrower indicating the period of student status. The form must be certified by the Registrar's Office and returned to the lending institution (see Appendix 10, page 183).

2. *Uniformed Service*——Periods of up to three years during which the borrower performs active duty, whether or not as a professional nurse, as a member of a uniformed service (Army, Navy, Marine Corps, Air Force, Coast Guard, National Ocean Survey, U.S. Public Health Service) may be deferred. Such service performed during the grace period does not extend the length of the grace period.

A deferment form must be completed by the borrower, certified by the commanding officer, and then returned to the lending institution before deferment can be granted. Repayment will resume immediately upon release from active duty or at the end of the three-year period, whichever comes first (see Appendix 10).

3. *Peace Corps*——Periods of up to three years while the borrower is a volunteer under the Peace Corps Act may be deferred. Service performed during the grace period does not extend the length of the grace period.

A deferment form must be completed by the borrower, certified by a Peace Corps official, and then returned to the lending institution before the deferment can be granted. Repayment will resume immediately upon release from the Peace Corps or at the end of the three-year period, whichever comes first (see Appendix 10).

Uniformed service and Peace Corps deferments combined cannot exceed three years.

4. *Advanced Professional Training*——(A) For loans made before July 1, 1969, all periods during which the borrower is pursuing a full-time course of study at a collegiate school of nursing leading to a baccalaureate degree in nursing, or an equivalent degree, or a graduate degree in nursing, are deferrable. (B) For loans made after June 30, 1969, periods up to five years during which the borrower is pursuing a full-time course of study at a collegiate school of nursing leading to a baccalaureate degree in nursing or an equivalent degree, or a graduate degree in nursing, or is "otherwise pursuing advanced professional training in nursing," are deferrable.

"Otherwise pursuing advanced professional training in nursing" encompasses only full-time training, beyond the first diploma or degree in nursing received by the particular borrower, of at least one academic year which is provided by an accredited institution or an affiliate thereof, and which will advance the borrower's knowledge of and strengthen his or her skills in the provision of nursing services.

A deferment form must be completed by the borrower, certified by an authorized official at the place of the advanced professional training, and then returned to the lending institution before deferment can be granted. Repayment will resume immediately upon the completion of the advanced professional training (see Appendix 10).

Institutions should remember that deferments are granted after the repayment period begins. Therefore, those deferments with time limitations (uniformed service, Peace Corps, or advanced professional training) may not begin until payments are due.

It is the responsibility of the borrower seeking deferment of repayment of a loan to assure that the properly executed form is forwarded to the school from which the loan was made at each of the following times: (1) when the first repayment installment is due; (2) annually thereafter as long as deferment status is claimed; and (3) upon termination of deferment status.

Loan Repayment by Government

Under certain conditions, and subject to the availability of funds, the Secretary of HEW may repay all or a part of a borrower's loan. As far as the institution is concerned, this is not a cancellation since the loan is being repaid rather than cancelled. For the borrower, however, it is the same as a cancellation, since all or a part of the remaining balance of the loan will be paid by someone other than the borrower.

Payments by the Secretary of HEW will be made if the borrower:

1. *Is serving as a full-time nurse in a designated shortage area*——The Nurse Training Act of 1971 revised the Nursing Student Loan Program to provide that the Secretary may enter into agreements with individuals who have received a diploma in nursing, associate degree in nursing, baccalaureate degree in nursing or equivalent degree, or a graduate degree in nursing, to repay a portion of their Nursing Student Loans and any other educational loans received for the costs of attending a school of nursing. In return, the individual agrees to serve full-time as a registered nurse for a period of at least two consecutive years in an area in a state determined by the Secretary, after consultation with the appropriate state health authority, to have a shortage of and need for such nurses.

An individual may enter a two-year agreement or a three-year agreement whereby portions of his or her educational loans determined to be eligible for repayment under such an agreement, and which are outstanding at the beginning of the period of service as specified in the agreement, will be repaid as each loan installment falls due, with an additional payment at the end of the period of service under the agreement to bring the total payment by the Secretary up to the following amounts:

A. Upon completion of the second year of service as specified in the agreement, 60 percent of the principal (and interest thereon) of each such loan which is outstanding on the date such service began will be repaid.

B. Upon completion of a third year of such service, an additional 25 percent, up to 85 percent, of the principal (and interest thereon) of each such loan will be repaid.

The borrower must submit to the Secretary annually a report containing such information as the Secretary shall specify regarding his or her service in the shortage area and shall inform the Secretary immediately of any change of address or if he or she ceases to serve in the shortage area as specified in the agreement.

If the borrower should fail to complete two years of service in the shortage area pursuant to the agreement, he or she shall be liable to reimburse the Secretary for any payments of principal and interest made on his or her behalf. If the borrower should fail to complete a third consecutive year of service in the shortage area, he or she shall be liable to reimburse the Secretary for any payments of principal and interest made on his or her behalf for the third year of such service under the terms of the agreement. Payments of such reimbursements will be immediately due and payable to the Secretary.

The Secretary's authority to enter into agreements is discretionary, subject to the availability of funding for this provision, the individual's eligibility to enter such an agreement, and the reasonableness of the educational loans for which repayment is being requested.

This manual is not intended to provide detailed information concerning this agreement between borrowers and the Secretary of HEW. Information on eligibility for entering an agreement, procedures for application, determination of eligible loans to be repaid, how repayments will be made, and so forth, is provided in materials included in the "Application To Enter Agreement Kit." Included in this kit are an informational document for registered nurses entitled *Entering an Agreement to Serve in a Shortage Area, Request To Enter Agreement* (Form NIH-2055-1), and *Disclosure and Confirmation of Educational Loan* (Form NIH-2055-2), with joint instructions and a sample agreement.

Application kits for entering an agreement (including lists of shortage areas) are available at participating schools, HEW Regional Offices, and the Bureau of Health Manpower.

2. *Fails to complete the course of study leading to the nursing studies for which the loan was made*——An applicant will be considered to have failed to complete the course of study in nursing for which an eligible educational loan was made upon certification by a school of nursing that the individual ceased to be enrolled in such school subsequent to November 17, 1971.

3. *Is in exceptionally needy circumstances*——An applicant will be considered to be in exceptionally needy circumstances if, upon comparison of the income and other financial resources of the applicant with his or her expenses and financial obligations, the Secretary determines that repayment of such loan would constitute a serious economic burden on the applicant. In making such determination the Secretary shall take into consideration the net financial assets of the applicant and the relationship of the income available to the applicant to the low-income levels published annually by the Secretary.

4. *Is from a low-income or disadvantaged family*——An applicant will be considered to be from a low-income family if the applicant comes from a family with an annual income below a level based on low-income thresholds by family size published by the U.S. Bureau of the Census, adjusted annually for changes in the Consumer Price Index, and multiplied by a factor to be determined by the Secretary for adaptation to this program, and the family has no substantial net financial assets. Such factor and income levels as adjusted will be published annually by the Secretary in the *Federal Register*.

An applicant will be considered to be from a disadvantaged family if the individual comes from a family in which the annual income minus unusual expenses which contribute to the economic burdens borne by the family does not exceed the low-income levels published by the Secretary pursuant to the paragraph above, and the family has no substantial net financial assets.

5. *Has not resumed, or cannot reasonably be expected to resume, such nursing studies within a period of two years following the date upon which the maker ceased to pursue the course of study for which the loan was made*——An applicant will be considered as not having resumed his or her nursing studies within two years following the date the individual ceased to be a student upon a certification so stating from the applicant; and, an applicant will be considered as not reasonably expected to resume his or her nursing studies within two years following the date upon which he or she terminated such studies based upon consideration of the reasons for the applicant's failure to complete these studies, taking into account such factors as academic, medical, or financial difficulties.

(NOTE: The Secretary shall only repay educational loans made subsequent to November 17, 1971.)

The Collection Process

At 120 days past due (90 if the institution so chooses) the school should have notified the borrower of pending collection agency action as described earlier (see page 164). A borrower should be given sufficient time to respond; a normal time limit is 15 days.

If the borrower responds by making payment, the collection efforts were successful and the collector can move on to other accounts. If partial payment is made by the borrower, the collector's job is only partially completed and constant and regular follow-up must be maintained to keep the payments coming. If the borrower responds by sending a letter explaining why payment has not been completed, then the collector, based on the contents of the letter, must decide on the appropriate action to be taken. This action could consist of rewriting the repayment schedule to fit the borrower's ability to pay, agreeing to monthly payments which will bring the past due amount current, or, deciding that the borrower is able to pay but will not.

A failure of the borrower to respond, or if it appears that the borrower could pay but will not, should result in the account being referred to an agency without delay. It is recommended that only the amount due be referred to the agency, since future payments are normally paid when due once a borrower learns that the school is serious about collection.

The cost of using a collection agency may be charged to the loan fund as long as the fees are not in excess of the normal and reasonable fees required for such services. However, the costs must be approved by the Division of Nursing before contracting with the agency.

The institution must maintain records of the status of accounts at the agencies. If it appears that no effective action is being taken by an agency, the school should consider placing the account with another agency.

Litigation

Enforcing payment of a Nursing Student Loan by legally proceeding against the maker or co-maker (if any) is always a matter of last resort to be used after all other attempts at negotiation have failed. If enforced action appears necessary, the fiscal officer, under his or her responsibility to the student loan fund, should not hesitate to take the necessary steps. To delay action which is inevitable does not help the borrower, the co-maker (if any), nor the student loan fund.

Some institutions are reluctant to institute legal action because such action frequently results in an uncollectible judgment. This conclusion appears questionable when viewed in terms of potential earnings, inheritance, and accumulation of possessions by the borrower. Although a judgment debtor may have no real or personal property at the time of the legal proceedings, the law is such that procuring a judgment has a salutary effect on most individuals whose payments are substantially overdue. Also, judgments are good for ten years in most states and can be renewed. The costs in most cases are minimal and in many cases result in repayment of the loan.

The statutory provision allowing expenditures from the Nursing Student Loan Fund for costs of litigation implies that institutions may proceed with litigation, when necessary, in the collection of loans. After exhausting all other possibilities, the account should be transferred officially to an attorney for this purpose.

Who Shall Represent the Institution?

Jurisdictional problems confront institutions when borrowers leave the school and establish residence in a state other than the one in which the loan was made. In some of these situations the institution's attorney is without power in a state in which he or she does not hold membership in the state Bar Association. When legal action becomes necessary to collect the loan, special procedures must be followed. Customarily, the institution's attorney, through the Bar Association, arranges to have a corresponding attorney handle the case.

An alternate procedure in such cases is to utilize the services of an established, reputable, credit and collection organization known to use accepted ethical business practices. With approval of the institution, a credit and collection organization may refer delinquent accounts to an attorney for litigation. The loan fund may be charged for legal fees arising in connection with collection of these accounts. Attorneys are required to abide by the standards of the local Bar Association and to limit fees to the established local schedule.

Normally the school would use the same agency to arrange for legal action as has been used for delinquent collections. If this is the case, the full amount of the outstanding loan should be made due and payable in order to eliminate the need for further legal action.

Uncollectible Loans

Under the Federal Capital Contribution plan, a loan is not written off as uncollectible until the end of the program, inasmuch as the governing statute does not authorize the expenditure of student loan funds for such losses. Therefore, an institution must continue to carry the outstanding loan on its books as long as the Nursing Student Loan Program remains in existence, or until legislation provides for an alternate method.

FOR FURTHER INFORMATION. . . . see *Health Professions and Nursing Student Loan and Scholarship Programs: Manual of Information, Policies and Procedures*, available from HEW, Public Health Service, Health Resources Administration, Bureau of Health Manpower, Hyattsville, Maryland 20782.

Appendix 1

Personal and Confidential Information

To be completed by the student: Date__________
(PLEASE PRINT)

NAME__________ (Last) (First) (Middle Initial) STUDENT NUMBER__________

LOCAL ADDRESS:	*PERMANENT ADDRESS:*
STREET (inc. Apt. #)__________	STREET (inc. Apt. #)__________
CITY__________	CITY__________
STATE__________ ZIP_____	STATE__________ ZIP_____
TELEPHONE NO. __________	TELEPHONE NO.__________ (area code)
Birth Date__________	Social Security Number__________
Driver's License Number__________	State__________

Your Part-time Job (Company Name)__________

College__________ Major__________

CLASS: Fresh.____ Soph.____ Jr.____ Sr.____ Grad.____ Exp. Graduation Date__________

Spouse's Name__________ Spouse's Employment__________

PARENT OR GUARDIAN:

Name__________ (First) (Initial) (Last)

Street (inc. Apt. #)__________ Telephone__________ (area code)

City__________ State__________ Zip Code__________

Parent's Employer's Name__________

Employer's Business Address__________ (City) (State)

Brothers and Sisters over 18 not living at home, (List married name of sisters, for example: Mrs. Robert R. Anderson.)

Name__________ Address__________

Name__________ Address__________

PERSONAL REFERENCES:

Name__________ Address__________

Name__________ Address__________

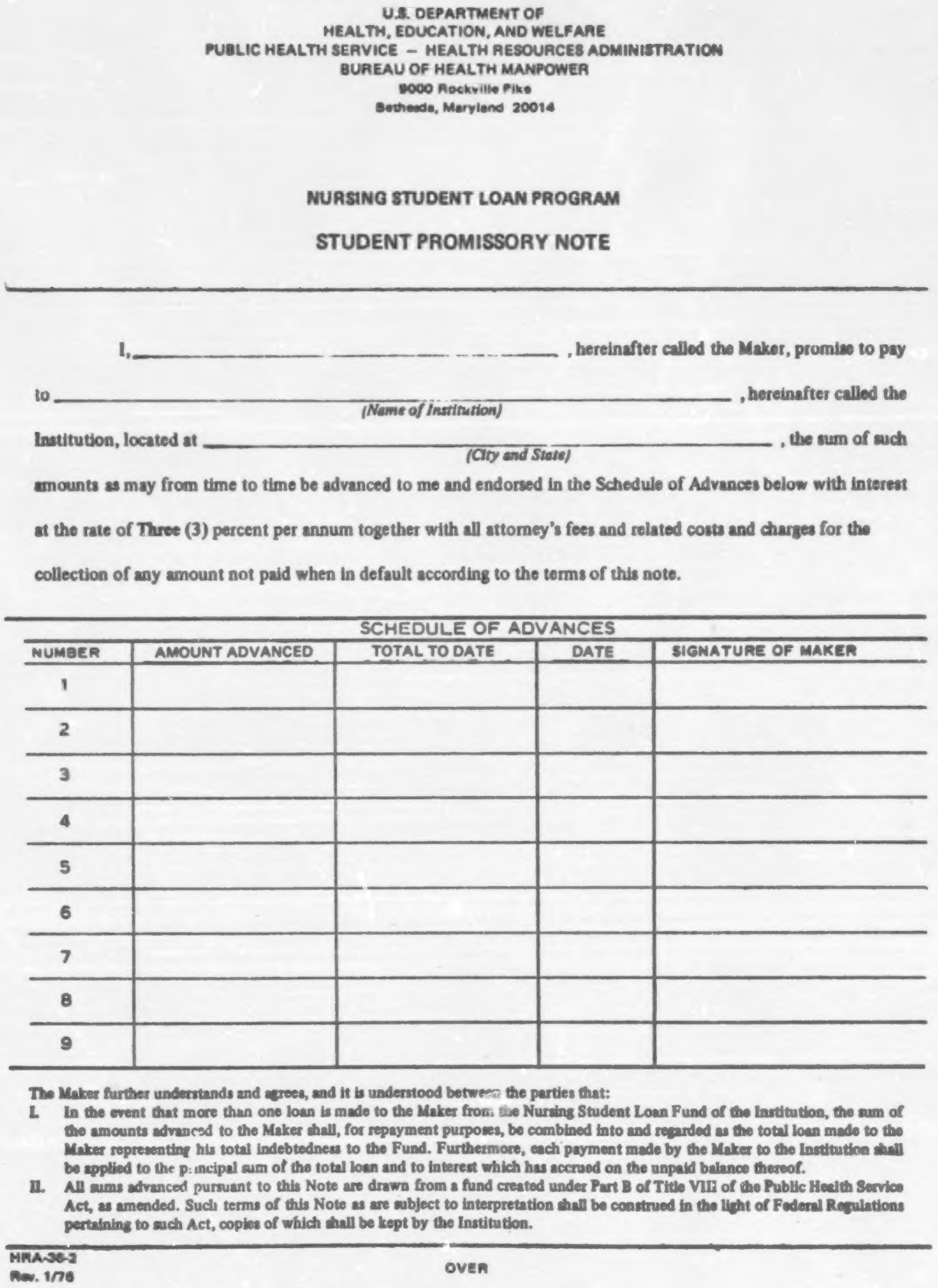
INSURANCE COMPANY OR AGENT:

Automobile__________ Address__________

Life__________ Address__________

THIS FORM MUST BE COMPLETED BEFORE FINANCIAL AID CAN BE ISSUED.

Appendix 2



U.S. DEPARTMENT OF
HEALTH, EDUCATION, AND WELFARE
PUBLIC HEALTH SERVICE – HEALTH RESOURCES ADMINISTRATION
BUREAU OF HEALTH MANPOWER
9000 Rockville Pike
Bethesda, Maryland 20014

NURSING STUDENT LOAN PROGRAM

STUDENT PROMISSORY NOTE

I, ______________________________, hereinafter called the Maker, promise to pay to ______________________________ *(Name of Institution)*, hereinafter called the Institution, located at ______________________________ *(City and State)*, the sum of such amounts as may from time to time be advanced to me and endorsed in the Schedule of Advances below with interest at the rate of Three (3) percent per annum together with all attorney's fees and related costs and charges for the collection of any amount not paid when in default according to the terms of this note.

SCHEDULE OF ADVANCES

NUMBER	AMOUNT ADVANCED	TOTAL TO DATE	DATE	SIGNATURE OF MAKER
1				
2				
3				
4				
5				
6				
7				
8				
9				

The Maker further understands and agrees, and it is understood between the parties that:

I. In the event that more than one loan is made to the Maker from the Nursing Student Loan Fund of the Institution, the sum of the amounts advanced to the Maker shall, for repayment purposes, be combined into and regarded as the total loan made to the Maker representing his total indebtedness to the Fund. Furthermore, each payment made by the Maker to the Institution shall be applied to the principal sum of the total loan and to interest which has accrued on the unpaid balance thereof.

II. All sums advanced pursuant to this Note are drawn from a fund created under Part B of Title VIII of the Public Health Service Act, as amended. Such terms of this Note as are subject to interpretation shall be construed in the light of Federal Regulations pertaining to such Act, copies of which shall be kept by the Institution.

HRA-36-2
Rev. 1/76

OVER

III. Repayment of the principal of the total loan, together with accrued interest thereon, shall be made over a 10–year repayment period, except that the Institution may provide that payments of principal and interest by the Maker shall be at a rate equal to not less than $15 per month. The period commences nine months after the Maker ceases to pursue a full-time or half-time course of study at a school of nursing as prescribed by Sec. 835 of the Public Health Service Act, as amended, and ends 10 years and nine months after such date. Interest shall accrue from the beginning of such repayment period. Repayment of principal, together with accrued interest thereon, shall be made in equal or graduated periodic installments in accordance with the terms of a schedule approved by the Institution and the Secretary of Health, Education, and Welfare, and agreed to by the Maker, but such installments shall in no case be paid less frequently than annually and shall commence not later than the end of the first year of the repayment period.

IV. This Note is subject also to the following conditions:

A. The Maker may, at his option and without penalty, prepay all or any part of the principal and accrued interest at any time.

B. The Institution may assess a late penalty charge for failure of the Maker to pay all or any part of an installment when it is due, or for failure to file timely and satisfactory evidence of entitlement to deferment or cancellation of part or all of loan, if so entitled, at the rate of $1 for the first month or part thereof by which such installment is late, and $2 for each month or part thereof thereafter.

C. In the event of the Maker's total and permanent disability or death, the unpaid indebtedness hereunder shall be canceled.

D. The Maker undertakes to inform the Institution to which he is indebted under this Note of any change in his address after he ceases to be a full-time student or half-time student at such Institution.

E. Deferment – Interest shall not accrue on the loan and installments need not be paid during the following periods:

Active duty as a member of a uniformed service of the United States or as a volunteer under the Peace Corps Act, for up to three years; periods up to five years while pursing a full-time course of study at a collegiate school of nursing leading to a baccalaureate degree in nursing or equivalent degree, or a graduate degree in nursing, or otherwise pursuing advanced professional training in nursing or training to be a nurse anesthetist.

F. Cancellation or Repayment by the Secretary –

1. Up to 85 percent of the amount of any loan, plus accrued interest thereon, made to a borrower from a Nursing Student Loan Fund may be canceled when the Maker is employed full-time as a registered nurse (including teaching in any of the fields of nurse training and service as an administrator, supervisor, or consultant in any of the fields of nursing) in any public or nonprofit private agency, institution, or organization (including neighborhood health centers), at the rate of 15 percent of the amount of such loan (plus interest) that was unpaid on the first day of such employment for each of the first, second, and third complete year the Maker engages in such employment, and 20 percent of such amount (plus interest) for each complete fourth and fifth year that the Maker engages in such employment.

2. In accordance with Section 836(h) of the Act and the implementing regulations, (42 CFR, Part 57, Subpart D), and subject to the availability of funds, an eligible Maker and the Secretary may enter into an agreement whereby the Maker agrees to serve as a registered nurse for at least a two-year period in a designated shortage area and the Secretary agrees to repay a portion of the Maker's loan under this Note at a rate of thirty (30) percent of the principal plus interest thereon for each of the first and second years of completed service and an additional twenty-five (25) percent for a third year of such service, up to a maximum of eighty-five (85) percent of the principal which was outstanding on the date the Maker began such service.

3. In accordance with Section 836(j) of the Act and the implementing regulations, (42 CFR, Part 57, Subpart D), and subject to the availability of funds, the Secretary may repay, upon application by the Maker, all or any part of the Maker's loan under this Note, plus interest thereon, which is outstanding on the date the Secretary determines that the Maker:

(a) failed to complete the nursing studies with respect to which such loan was made;
(b) is in exceptionally needy circumstances;
(c) is from a low-income or disadvantaged family; *and*
(d) has not resumed, or cannot reasonably be expected to resume such nursing studies within a period of two years following the date upon which the Maker ceased to pursue the course of study for which the loan was made.

(Date)

(Signature of Maker)

CAVEAT	*– This note shall be executed without security and without endorsement, except that, if the Maker is a minor and this note would not, under State Law, create a binding obligation, either security or endorsement may be required. The payee shall supply a copy of this note to the Maker.*

HRA-36-2 (BACK)
Rev. 1/76

Appendix 3

Sample Truth in Lending Form

(to be executed at the time a loan commitment is made)

Amount of Loan $__________ Loan No. ________

The ___(Health Professions or Nursing)___ Student Loan(s) which you have received, together with an ANNUAL PERCENTAGE RATE of 3% on the unpaid balance, is repayable in accordance with a repayment schedule approved by the school and the Secretary of Health, Education, and Welfare, and agreed to by you, the Maker, at the time you cease to pursue an eligible course of study at the school. The FINANCE CHARGE begins to accrue at the termination of the grace or other deferment period.

The AMOUNT FINANCED (or the total of all loans due) is repayable in accordance with the provisions of the promissory note and the repayment schedule to be attached thereto, and this is subject to provisions relating to DELINQUENCY and DEFAULT CHARGES specified in the promissory note.

The Maker may, at his option, and without penalty, prepay all or any part of the principal plus the accrued interest at any time.

________________ ________________________
Date Signature—Lender

The Maker acknowledges receipt of an exact copy of this statement.

________________ ________________________
Date Signature—Maker

____
Address

Appendix 4

Sample Truth in Lending Form

(to be executed at the time a repayment schedule is signed)

The ___(Health Professions or Nursing)___ Student Loan(s) which you have received, together with an ANNUAL PERCENTAGE RATE of 3% on the unpaid balance, is repayable in accordance with this repayment schedule. The FINANCE CHARGE begins to accrue ___(Month) (Day) (Year)______.

The AMOUNT FINANCED $_____ (less any amounts repaid, or canceled in accordance with the provisions of the promissory note) together with $_____ FINANCE CHARGE (the total amount of interest to be paid during the repayment period), is to be canceled or repaid in ___(number of)___ payments of $________ (except as otherwise indicated in the repayment schedule) for a total of payments of $_____. The due date of payments shall be: ___(Month) (Day) (Year)___ and the same date each ___(year, six months, quarter, month)___ thereafter.

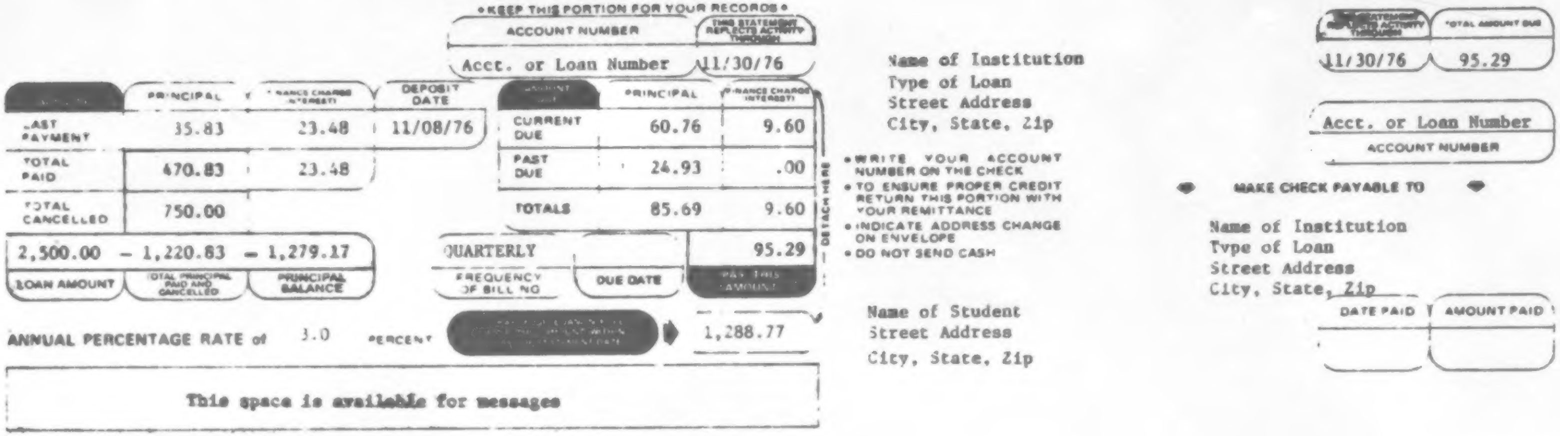
The AMOUNT FINANCED (or the total of all loans due) is repayable in accordance with this repayment schedule, and this is subject to provisions relating to DELINQUENCY and DEFAULT CHARGES specified in the promissory note(s). (Specify where applicable.)

The Maker may, at his option, and without penalty, prepay all or any part of the principal plus the accrued interest at any time.

________________	____________________
Date	Signature—Lender

The Maker acknowledges receipt of an exact copy of this statement.

________________	____________________
Date	Signature—Maker
	____________________
	Address



• KEEP THIS PORTION FOR YOUR RECORDS •

ACCOUNT NUMBER	THIS STATEMENT REFLECTS ACTIVITY THROUGH
Acct. or Loan Number	11/30/76

	PRINCIPAL	FINANCE CHARGE (INTEREST)	DEPOSIT DATE
LAST PAYMENT	35.83	23.48	11/08/76
TOTAL PAID	470.83	23.48	
TOTAL CANCELLED	750.00		

LOAN AMOUNT		TOTAL PRINCIPAL PAID AND CANCELLED		PRINCIPAL BALANCE
2,500.00	–	1,220.83	–	1,279.17

	PRINCIPAL	FINANCE CHARGE (INTEREST)
CURRENT DUE	60.76	9.60
PAST DUE	24.93	.00
TOTALS	85.69	9.60

FREQUENCY OF BILL NO	DUE DATE	PAY THIS AMOUNT
QUARTERLY		95.29

ANNUAL PERCENTAGE RATE of 3.0 PERCENT

1,288.77

This space is available for messages

— DETACH HERE —

Name of Institution
Type of Loan
Street Address
City, State, Zip

- WRITE YOUR ACCOUNT NUMBER ON THE CHECK
- TO ENSURE PROPER CREDIT RETURN THIS PORTION WITH YOUR REMITTANCE
- INDICATE ADDRESS CHANGE ON ENVELOPE
- DO NOT SEND CASH

Name of Student
Street Address
City, State, Zip

THIS STATEMENT REFLECTS ACTIVITY THROUGH	TOTAL AMOUNT DUE
11/30/76	95.29

Acct. or Loan Number
ACCOUNT NUMBER

MAKE CHECK PAYABLE TO

Name of Institution
Type of Loan
Street Address
City, State, Zip

DATE PAID	AMOUNT PAID

Appendix 6

Samples of Messages Which Might be Used on the Statement Form

(These mesages can take the place of the written letter and should get progressively stronger with each statement.)

GRACE PERIOD EXPIRATION

"Your grace period will expire on MM/DD/YY and your first payment will be due MM/DD/YY. Please do not contact us until you receive your first bill."

ADVANCE NOTICE

"Prompt repayment of this bill will enable other qualified students to pursue their education. Thank you."

FIRST PAST DUE

"Did you forget? This bill is now past due Please take care of this matter today!"

60 DAYS PAST DUE

"Your Student Loan is a serious obligation which you seem to be ignoring. If you have any questions, please contact us. Otherwise, remit payment!"

90 DAYS PAST DUE

"Previous requests have been made for payment on your seriously delinquent account. If payment is not received, your account may be referred for collection."

Appendix 7

Sample Letter to be Used at 120 Days

Dear :

The Nursing Loan allows an institution to refer accounts to a collection agency if they become 120 days or more past due. Failure to do so could result in the termination of the program at that institution for failure to use "due diligence."

We show that $_______ is past due without any positive action on your part to repay. Therefore, it is with regret that I must consider your account for such action.

If payment is not received, or if arrangements have not been made with us within fifteen days from the date of this letter, your account will be referred for collection. This could result in the total unpaid balance being due immediately. A self-addressed envelope has been provided for your use in sending your check. Please make your check payable to ____________________.

Sincerely,

Appendix 8

U.S. DEPARTMENT OF
HEALTH, EDUCATION, AND WELFARE
PUBLIC HEALTH SERVICE
HEALTH RESOURCES ADMINISTRATION
BUREAU OF HEALTH MANPOWER
9000 ROCKVILLE PIKE
BETHESDA, MARYLAND 20014

REQUEST FOR PARTIAL CANCELLATION OF LOAN
NURSING STUDENT LOAN PROGRAM

INSTRUCTIONS—A borrower under the Nursing Student Loan Program must file this form (HRA-36-16) with the school of nursing which made the loan in order to claim entitlement to loan cancellation for full-time professional nurse employment pursuant to Sections 836(b)(3) and 836(i) of the PHS Act.

The form must be submitted for each complete year of full-time professional nurse employment in a public or nonprofit private agency, institution or organization. It is the responsibility of the borrower seeking cancellation to (a) complete Part I, (b) obtain certification by the employing agency, Part II, and (c) forward the original and one copy to the lending school for cancellation of loan at the appropriate rate in lieu of payment. The lending school will complete Part III, indicating the amount of cancellation earned (principal and interest), and return the copy to the borrower making such request.

NAME AND ADDRESS OF SCHOOL FROM WHICH LOAN WAS MADE *(Include ZIP Code)*	NAME AND ADDRESS OF APPLICANT *(Include ZIP Code)*

PART I—To be Completed by Applicant

I hereby apply for a partial cancellation of my Nursing Student Loan in the appropriate amount of principal and interest, in accordance with the Public Health Service Act, as amended, for one complete year of employment as a full-time professional nurse.

NAME AND ADDRESS OF EMPLOYING AGENCY	PERIOD OF EMPLOYMENT *(Beginning - month, day, year)*	*(Ending - month, day, year)*
	SIGNATURE OF APPLICANT	DATE

PART II—Certification by Employing Agency

I hereby certify that the above statements concerning full-time professional nurse employment and period of service are true and correct.

NAME OF APPLICANT	POSITION TITLE OF APPLICANT	
NAME AND ADDRESS OF EMPLOYING AGENCY	SIGNATURE OF AUTHORIZED OFFICIAL	
Check: ☐ Private for Profit ☐ Public ☐ Private not for Profit	TITLE	DATE

PART III—Partial Loan Cancellation (To be completed by Lending School)

The above named individual's loan account has been credited for partial cancellation for full-time professional nurse employment in accordance with the Public Health Service Act, as amended, and Regulations, in the following amounts:

	AMOUNT CANCELED	
	PRINCIPAL	INTEREST
FOR LOANS MADE AFTER NOVEMBER 17, 1971, ONLY Rate by year for professional employment ☐ 1st year—15% ☐ 3d year—15% ☐ 5th year—20% ☐ 2d year—15% ☐ 4th year—20%	$	$

	AMOUNT CANCELED	
	PRINCIPAL	INTEREST
FOR LOANS MADE PRIOR TO NOVEMBER 18, 1971, ONLY Cancellation at rates in effect at such time ☐ 10% per year up to 50% of such loans for Professional Employment ☐ 15% per year up to 100% of such loans for Professional Employment in a Shortage Hospital	$	$

SIGNATURE OF AUTHORIZING OFFICIAL—LENDING SCHOOL	TITLE	DATE

HRA 36-16
(Rev. 1-76)

FORM APPROVED
O.M.B. NO. 68-R0847

GPO 910 112

Appendix 9

U.S. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
PUBLIC HEALTH SERVICE - HEALTH RESOURCES ADMINISTRATION
BUREAU OF HEALTH MANPOWER

REQUEST FOR POSTPONEMENT OF INSTALLMENT PAYMENT
NURSING STUDENT LOAN PROGRAM

INSTRUCTIONS

This form, HRA-36-17, must be filed in lieu of payment in accordance with the repayment schedule you selected to retire your Nursing Student Loan if you are currently employed as a full-time professional nurse in any public or nonprofit private agency, institution, or organization and wish to claim entitlement to partial cancellation of such loan at the end of a complete year of such employment.

Two (2) copies of the form should be executed for each school from which you secured a loan; the original to be filed with the lending school and the second copy to be retained for your records. It is the responsibility of the borrower seeking postponement of installment payment of loan to return this form properly executed to the school from which the loan was made.

Should you terminate full-time employment as a professional nurse prior to the completion of a yeer, the installment repayment (s) is immediately due and payable to the lending school.

NAME AND ADDRESS OF SCHOOL FROM WHICH LOAN WAS MADE	**NAME AND ADDRESS OF BORROWER**
	DATE GRADUATED

PART I - CERTIFICATION OF EMPLOYMENT *(To be completed by borrower)*

NAME AND ADDRESS OF EMPLOYER	**TITLE OF POSITION**	
	BEGAN EMPLOYMENT *(Month)* *(Day)* *(Year)*	
	REPAYMENT INSTALLMENT $	**DATE DUE**

I certify that I am employed full time as a professional nurse as indicated above and expect to complete one year of such employment on *(month, day, year)* ________________, at which time I shall secure cancellation of a portion of my loan in accordance with the Public Health Service Act, as amended, and Regulations. I therefore request postponement of payment of repayment installment on the date due above.

SIGNATURE OF BORROWER	**DATE**

PART II - CERTIFICATION OF EMPLOYMENT *(To be completed by Employer)*

I certify that the statements above concerning service of the above-named borrower as a full-time professional nurse are true and correct.

NAME AND ADDRESS OF EMPLOYER				**SIGNATURE OF OFFICIAL**
				TITLE
CHECK	**PRIVATE FOR PROFIT**	**PUBLIC**	**PRIVATE NOT FOR PROFIT**	**DATE**

HRA-36-17 (FORMERLY NIH-1614-17)
9 76

GPO 910-426

FORM APPROVED
OMB NO. 68-R0847

Appendix 10

CERTIFICATION OF DEFERMENT STATUS **HEALTH PROFESSIONS AND NURSING STUDENT LOAN PROGRAMS**	U.S. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE PUBLIC HEALTH SERVICE HEALTH RESOURCES ADMINISTRATION BUREAU OF HEALTH RESOURCES DEVELOPMENT 9000 Rockville Pike Bethesda, Maryland 20014

INSTRUCTIONS

To request deferment of repayment on your Health Professions or Nursing Student Loan, two (2) copies of a Certification of Deferment Status form (HRA 36-5) must be filed with the school which made the loan at each of the following times: (1) when your first repayment installment is due, (2) annually thereafter as long as you are eligible for such deferment, and (3) when you cease to be in eligible deferment status. A copy of the form, properly executed, as submitted to the school, should be retained for your own records.

NOTE: Provisions governing deferment of Health Professions and Nursing Student Loans vary according to the date such loans were made; therefore, you should read the *Guide for repayment, deferment, and cancellation of Health Professions or Nursing Student Loans* for the specific provisions applicable to your loans before completing this form. The Guides are available from the school which made the loan.

NAME AND ADDRESS OF SCHOOL FROM WHICH LOAN WAS MADE	NAME AND ADDRESS OF BORROWER

PART I REQUEST FOR DEFERMENT OF REPAYMENT – *To be completed by borrower if he:*

A Ceases to pursue the course of study at

1. A school of medicine, osteopathy, dentistry, pharmacy, podiatry, optometry, or veterinary medicine, but re-enters the same or another such school within the applicable grace period;
2. A school of nursing leading to a diploma or associate degree in nursing, a baccalaureate degree in nursing or an equivalent degree, or to a graduate degree in nursing, but re-enters the same or another such school within the applicable grace period

This is to certify that I was a full-time health professions or nursing student (or at least half-time nursing student for borrowers who received

nursing student loans after November 17, 1971) at ______________________________

______________________ from ______________ to ______________

pursuing a course of study leading to a ______________________________.
(Degree)

B Performs active duty as a member of a uniformed service or as a volunteer under the Peace Corps Act.

This is to certify that I was in the ______________________________
(Enter name of Service or Peace Corps)

from ______________ to ______________ ______________.

C 1. Pursues advanced professional training, including internships and residencies; or
2. Pursues a full-time course of study at a collegiate school of nursing leading to a baccalaureate degree in nursing or an equivalent degree, or to a graduate degree in nursing, or is otherwise pursuing advanced professional training in nursing.

This is to certify that I was pursuing advanced professional training at ______________________________

______________________ from ______________ to ______________.

I claim deferment of repayment of principal and interest on my *(Check appropriate box)*

Health Professions Student Loan ☐ (or) Nursing Student Loan ☐
for the period indicated under A.1. ☐, A.2. ☐, B. ☐, C.1. ☐, (or) C.2. ☐, above.

I further agree to notify the school from which I received assistance immediately upon termination of my status as indicated above.

DATE	SIGNATURE OF BORROWER

HRA-36-5 (FORMERLY NIH-1614-5)
3-74

(Over)

FORM APPROVED
O.M.B. No. 68-R0847

PART II CERTIFICATION OF DEFERMENT STATUS

A. To be completed by official of institution where borrower is enrolled or is pursuing advanced professional training and mailed to the school from which the loan was made

I certify that the information stated in Part I A.1. ☐, A.2. ☐ C.1. ☐, (or) C.2. ☐ above is true and correct

Check appropriate box

NAME AND ADDRESS OF SCHOOL	SIGNATURE OF AUTHORIZED OFFICIAL
	TITLE
	DATE

B. To be completed by the Commanding Officer, or Peace Corps Official, and mailed to the school from which the loan was made

I certify that the information stated in Part I B. above is true and correct

Borrower's Uniformed Service* Serial Number ____________

NAME AND ADDRESS OF UNIFORMED SERVICE OR PEACE CORPS HEADQUARTERS	SIGNATURE OF COMMANDING OFFICER OR PEACE CORPS OFFICIAL
	DATE
INSTITUTIONAL ACTION *School from which loan was made* APPROVED ☐ DISAPPROVED ☐ ☐ REASONS FOR DISAPPROVAL ____________	SIGNATURE
	DATE

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* The uniformed services of the United States are the Army, Navy, Marine Corps, Air Force, Coast Guard, National Ocean Survey, and the U.S. Public Health Service.

HRA 36-5 (BACK)
4